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# ***JPRS Report***

## **China**

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### ***Shandong Province 1988 Economic Reports***

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## SHANDONG PROVINCE 1988 ECONOMIC REPORTS

**Jiang Chunyun Government Work Report**  
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[Government work report given by Jiang Chunyun, governor of Shandong Province, at the Second Session of the Seventh Shandong Provincial People's Congress on 25 February]

[Text] Fellow deputies:

On behalf of the provincial People's Government, I now submit a report on the work of the government for examination and discussion by the present congress.

### I. Review of 1988 Government Work

The year 1988 was the first year for implementing the guidelines of the 13th CPC Congress as well as a year during which our province began to start the work to achieve the second 100-percent increase. During the past year, under the leadership of the CPC Central Committee, the State Council, and the provincial party committee, governments at all levels considered the theory on the initial stage of socialism and the party's basic line as the guidance. They have focused their work closely on the fundamental task of developing the productive forces, conscientiously implemented all resolutions of the first session of seventh provincial People's Congress, actively promoted reform and construction, strived to strengthen democracy and the legal system, promoted the sustained development of the national economy and all social undertakings, and safeguarded a stable and united political situation. We achieved new success in building the socialist material and spiritual civilizations. Based on initial statistics, the provincial GNP reached 75 billion yuan, an increase of 17.2 percent over the previous year; national income reached 68 billion yuan, an increase of 17.6 percent; total industrial and agricultural output value reached 150.3 billion yuan, an increase of 26.1 percent; and financial revenue reached 9.015 billion yuan, an increase of 23.8 percent. Thus, we achieved a balance between revenues and expenditures with a small surplus. We can say that we made gratifying strides in the course of realizing the second 100-percent increase.

—Fairly good achievements were made in the rural economy. The province's total agricultural output value reached 30.96 billion yuan, an increase of 3.4 percent over the previous year. Total grain output was 32.25 million tons; that of cotton, 1.137 million tons; and that of peanuts, 1.947 million tons, showing a decline of 1.687 million tons, 107,000 tons, and 351,000 tons, respectively, from the previous year. The forestry output value was the same as the previous year. The output value of animal husbandry, sideline industries, and fisheries increased 27.6 percent, 21.7

percent, and 30.2 percent, respectively. The output value of industry, the building industry, the transport industry, and commerce in the rural areas all increased by 54 percent. It was not easy to have such achievements in agricultural production during a year of serious drought.

—The economic results of industrial and communications production improved remarkably. The province's total industrial output value reached 119.37 billion yuan, an increase of 33.8 percent over the previous year. The production of key products, scarce commodities in short market supply, products for agricultural use, and products that created foreign exchange earnings all increased by a fairly large margin. The product quality and economic results improved remarkably. Labor productivity for state-owned units exercising independent accounting reached 20,909 yuan per capita, an increase of 13.5 percent over the previous year. The profit-tax rate of funds of the locally budgeted industrial enterprises was 26.99 percent, an increase of 3.4 percentage points; the rate of comprehensively reducing energy consumption for producing 10,000 yuan worth of products was reduced to 3.4 percent; sales income and profits and taxes increased by 34.1 percent and 33.1 percent, respectively; the turnover period for working funds was reduced by 13.9 days; the number of enterprises suffering deficits dropped from 144 households to 83, and the amount of deficits was reduced by 11.76 million yuan. The province's passenger transport volume increased 15.4 percent over the previous year, and freight transport volume increased 16.8 percent.

—Urban and rural markets were brisk. Total purchases and sales of major materials throughout the province were valued at 51.8 billion yuan, an increase of 61.9 percent over the previous year; the volume of technology transactions reached 290 million yuan, an increase of 35 percent; and the flow and rational use of funds reached 40.3 billion yuan, an increase of 70.8 percent. Total retail sales of commodities in society was valued at 49.09 billion yuan, an increase of 31 percent.

—New progress was achieved in key construction and urban and rural construction. Last year we invested 4.44 billion yuan in the 14 projects enjoying top state priority which the country had assigned to our province, an increase of 19.7 percent over the previous year. We fulfilled or overfulfilled the work of mapping out tentative progress plans for building the second phase of the Qilu ethylene project, the construction of two berths at Xigangchi in Yantai, and the Weifang caustic soda plant. The projects of building the Yangzhuang colliery at the Yanzhou mining area and the Jiangzhuang colliery at the Zaozeng mining area and of setting up the second generator set of the Shiheng power plant and the third generator set of the Zuoxian power plant have been basically completed and put into production. The project of diverting the Huang He's waters to the city of Qingdao has been carried out

smoothly. The province's production capability has shown a new increase which includes 3.6 million tons of crude oil, 1.1 million kw of installed capacity, 300,000 tons of ethylene, 600,000 tons of loading and unloading capacity at harbors, 44,000 telephone sets in urban areas, and 1,051 long-distance telephone lines. Some urban infrastructures, public utilities, and environmental appearance in some localities have been improved somewhat. By implementing the "law" of land management, the acreage of land occupied by capital construction projects decreased from 402,000 mu in 1987 to 301,000 mu in 1988.

—Foreign economic relations and trade were further expanded. The province signed 457 contracts on utilizing foreign funds, an 86-percent increase over 1987; the volume of foreign funds involved was \$590 million, a 58-percent increase over 1987. Of these contracts and foreign funds, 202 enterprises which were approved to directly receive foreign investments scored a 2.8-fold increase in funds over 1987, and the volume of foreign investments reached \$260 million, a 5.7-fold increase over 1987. Meanwhile, 195 items were carried out with regard to "processing products with materials and samples provided from abroad, assembling machines with parts provided from abroad, and conducting compensatory trade." These items involved \$230 million, a twofold increase over 1987. Under the situation in which the state curtailed the exports of petroleum, cotton, and grains, the province exported commodities worth \$2.98 billion which was equal to the 1987 figure and, excluding petroleum exports, showed a 13.2-percent increase over 1987. The province's tourism earned 105 million yuan in foreign exchange Renminbi, a 29.8-percent increase over 1987.

—The undertakings of scientific and technological education achieved prosperous development. The province scored 1,786 important scientific and technological results, of which, 118 items reached the international advanced standard and 1,045 reached the domestic advanced standard or filled national gaps. This is the most achievements scored by the province in this regard since the founding of the PRC. The province carried out 450 items in popularizing and utilizing new technologies, a 30-percent increase over 1987. The province's number of students at general schools of higher learning reached 103,000, a 5.6-percent increase over 1987. The enrollment rate for children reached 98.4 percent. Pre-school, vocational, and adult education achieved greater development.

—Family planning work was strengthened. By issuing the regulations and rules on family planning, enforcing the system of responsibility for fulfilling fixed targets in this regard, and stabilizing family planning policies and the personnel contingent, the trend of excessive

population growth was curbed somewhat. The province's natural population growth decreased from 16.3 per thousand in 1987 to 11.99 per thousand.

—The people's material and cultural lives continued to improve somewhat. The undertakings of culture, public health, physical culture and sports, press circles, publication, radio and television broadcasting, and social welfare achieved new development. The people's cultural life was increasingly enriched, medical and sanitation conditions were improved somewhat, and sports activities were carried out extensively. The province succeeded in holding the 1988 national urban people's sports games. The income for livelihood for urban people in the province reached 1,084.9 yuan per capita, an increase of 183.6 yuan over 1987. Net income for peasants was 583.7 yuan per capita, an increase of 66 yuan over 1987. The total volume of deposits scored by both urban and rural people by the end of 1988 reached 32.65 billion yuan, a 34.7-percent increase over the figure scored at the end of 1987.

Over the past year, governments at all levels throughout the province have chiefly grasped the following several tasks:

A. They have integrated the spirit of the 13th CPC Congress with the province's actual situation and further straightened out the thinking on economic construction. In line with the strategy put forward at the 13th CPC congress and the province's situation and by upholding the principle of bringing the strong point into play and of exploiting strong points and avoiding shortcomings, we have put forward the fighting target of fulfilling early the second doubling of total output value by 1995 and the guiding ideology of turning the national economy of developing natural resources into that of processing activities, opening up the closed economy, turning the economy with an increase of investments into one with efforts to tap production potential, and turning the economy with extensive management into one of intensive management. After the central authorities set forth the strategy for economic development of the coastal areas and made arrangements for developing the Huanghe-Huaihe-Haihe plain, our province defined its own principles as "opening up the east, developing the west, and combining east and west to promote common development." In light of the province's backward science and technology and the shortage of intellectual resources, our province also formulated the principle of "vitalizing Shandong by means of science and technology." Proceeding from the province's situation of having a relatively large population and a relatively low share per capita of major economic targets, our province set forth the policy of assessing the real performance of economic construction with the per capita share of major economic targets. Practice showed that these policy decisions were correct, were conducive to unifying the thoughts and actions of people from top to bottom throughout the province, and facilitated sustained and stable economic development.



B. They struggled against serious droughts and exerted great efforts in grasping agriculture. Last year our province was hit by various kinds natural calamities; in particular, the long duration of droughts and the extensive spread of drought-afflicted areas were unprecedented since the founding of the PRC. The drought-afflicted areas reached a high of 70 million mu; the level of underground water generally declined; and groundwater storage was only one-third of what is stored in a normal year. Faced by such a serious drought situation, governments at all levels mobilized and guided the vast number of cadres and the masses to vigorously struggle against droughts and to engage in farmland capital construction, with the focus on harnessing rivers. In 1988 the province diverted and used 8.73 billion cubic meters of the Huang He's waters, an increase of 15.3 percent over 1987. At the end of 1988, there were 575,000 supportive motor-pumped wells in the province, an increase of 4.7 percent over the end of 1987. A total of 8.555 million laborers were put to work on construction of water conservancy works in winter, 700,000 more than in 1987. A total of 6.48 billion kilowatt-hours of electricity was consumed for agriculture, an increase of 12 percent over 1987. The supply of chemical fertilizer, pesticides, and agricultural plastic film was more than in the previous year. The input into agriculture made by financial and credit departments and by town and township enterprises throughout the province amounted to 14.6 billion yuan, 1.6 billion yuan more than in 1987. At the same time, the province conscientiously grasped developmental production. The 12 cities and prefectures and the 83 counties covered by the Huanghe-Huaihe-Haihe plain conducted initial development work, with some projects already yielding results. The developed acreage of shallow waters and beaches along the coast exceeded the total acreage developed during the previous 8 years. The space for marine breeding reached 1.01 million mu, an increase of 48.2 percent over 1987.

C. They conscientiously organized industrial production, with the focus on improving economic efficiency. Last year the major problem in industrial production was the shortage of energy resources and of raw and semifinished materials. There was a deficit of 3 million tons of coal and 1.5 million kw of electricity last year in the province. By focusing on improving economic efficiency, governments at all levels and all industrial and communications departments persisted in the tasks of deepening enterprise reform, promoting technological progress, improving operation and management, readjusting the industrial structure, conducting the campaign of "increasing production and practicing economy and increasing revenues and cutting expenditures," and strengthened distribution and guidance, therefore maintaining a good trend in development of industrial and communications production. In 1988 the province invested a total of 5.93 billion yuan in carrying out technological transformation, an increase of 57.4 percent over 1987. The province also developed more than 3,100 new products; 23 of these won the state gold and silver

prizes and 868 won the title of provincial quality product—relatively more than in previous years. In addition, 649 enterprises were upgraded to provincial-level advanced enterprises and state second-grade enterprises.

D. They positively carried out the strategy for economic development of the coastal areas and opened still wider to the outside world. Last year, the central authorities approved a list of 44 counties, cities, and districts in the province as the Shandong peninsula economic open zone. By seizing this opportunity, our province broadened the channels of cooperation with foreign countries; expanded propaganda toward foreign countries; promoted the reform of the foreign trade structure, with contract management as its major content; formulated several policies for attracting foreign investment; drew up some regulations governing business relations with foreigners; readjusted and strengthened the organs in charge of foreign trade; improved work efficiency; did several jobs to improve investment environment; and effectively promoted omnidirectional economic and technological exchanges and cooperation with foreign countries. At the same time, we took the initiative to actively conduct economic and technological cooperation and coordination with the fraternal provinces, cities, and regions. Provincial-level leading comrades led delegations to the north, west, and south to visit 12 provinces, cities, and regions and established the "Huang He economic and technological cooperative zone" with the joint efforts of six provinces and regions along the Huang He. The eastern and western parts of the province concluded 159 economic and technological cooperative agreements.

E. They implemented the principle of "using science and education to invigorate Shandong" and accelerated scientific and technological progress and the development of intellectual resources. Last year our province conscientiously grasped the reform of the scientific and technological structure, actively relaxed control over scientific research units and gave more power to scientific and technical personnel, imported technology, brought in trained personnel, and integrated science and technology with the economy. Ninety-two counties (cities, districts) throughout the province employed scientific and technical personnel to serve as deputy county heads. More than 75,000 scientific and technical personnel entered the main battlefield of economic construction by no longer receiving their wages but retaining their posts, by taking posts, or by holding concurrent posts during their spare time. This happened more than in the previous year. We brought in 5,135 scientific and technical personnel from other provinces, employed 115 foreign experts, and developed 716 scientific research-production associations. We also strengthened educational work. In line with the demands of economic and social development, the province and all localities actively promoted educational structural reform, readjusted the educational structure, straightened out teaching orientation, improved teaching conditions, implemented 9-year compulsory education, and popularized Pingdu's experience

in making unified plans for the "three educations" and in pooling everyone's efforts to run education in an effort to accelerate the pace of developing intellectual resources. Last year the investment in scientific, technological, and educational undertakings was greatly increased. The provincial financial department arranged 156 million yuan for scientific and technological funds, an increase of 25.2 percent over the previous year, and 1.68 billion yuan for educational funds, an increase of 30.4 percent. This exceeded the scope of increase in the total financial expenditures. In addition, the additional educational funds and the income from social educational aids and from developing work-study programs reached 1 billion yuan or more. The average per-capita educational funds for the province's college students was higher than the national average. About 480,000 teachers throughout the province increased their wages. At the same time, the provincial authorities also formulated policies for "top-notch personnel" and grasped the work of appraising professional titles. This move played an active role in encouraging the growth of trained personnel and raising the status of intellectuals.

F. They let reform play a dominant role in their overall work and instilled new vitality into economic construction. In rural reform, on the basis of establishing and improving the family-based contract responsibility system, we actively centralized and decentralized management; established and improved the service system; and experimented with developing large-scale farming, stocksharing cooperative economy, rural cooperative foundation, and the integration of foreign trade, industry, and agriculture. While making continued efforts to popularize Zhucheng city's experience in organizing "coordinated efforts to develop the commodity economy," we also summarized and popularized Laiwu city's experience in simplifying administration and decentralizing power and strengthening the functions of township-level units, as well as the experiences of some counties and cities. In enterprise reform, on the basis of universally popularizing the contract management responsibility system, we primarily improved, supported, deepened, and developed the contract system. About 96.8 percent of budgeted industrial enterprises throughout the province implemented the contract management system, 47 percent implemented the bidding contract system, 42 percent implemented risk-taking mortgage contract system, 74 percent implemented the floating wage system and the system of linking enterprise economic results with workers' wages, and 47 percent experimented with the method of optimizing labor organizations. The practice of mergers, cooperation, contract system, and mutual purchase of shares in enterprises developed fairly rapidly. A small number of enterprises tried out the stocksharing system. In reforming the circulation sphere, we primarily grasped the work of broadening circulation channels and developing the market system. The scale of the consumer goods markets and the materials, technology, trained personnel, labor, banking, and information market continued to expand.

The province as a whole had 578 specialized and wholesale markets, an increase of 265 markets over the previous year. There were 6,145 urban and rural trade fairs, an increase of 408. All localities made some preparations in the reform of the housing system. Yantai city changed its practice of issuing subsidy housing coupons to one of circulating actual funds. The city of Laiyang had already promulgated its housing reform plans.

G. The province has conscientiously implemented the guidelines of the 3d Plenary Session of the 13th party Central Committee and actively carried out the endeavor of improvement and rectification. Since October last year, the entire province, from higher to lower levels, has implemented the guidelines of the 3d Plenary Session of the 13th party Central Committee, concentrated efforts to improve the economic environment and rectify economic order, and achieved initial results in this regard. Large-scale inspections of finances, tax returns, and prices proceeded smoothly. The province sent 5,423 work groups, totaling 23,000 persons, to conduct the inspections. They discovered 98 million yuan that had been gained in violation of the price policy; of this, 56 million yuan has been recovered and turned over to the treasury. They discovered 510 million yuan that had been gained in violation of discipline, of which some was recalled and confiscated, and fines were imposed, totaling 278 million yuan. Cutting back of projects under construction proceeded fairly rapidly. Throughout the province, 918 projects were suspended postponed, saving 2.74 billion yuan of investment. Of these projects, 252 were office buildings, auditoriums, and hotels involving 820 million yuan of investment. The work to clean up and straighten out companies was intensified gradually. A total of 1,072 companies of various categories were merged throughout the province. Of the companies run by party and government organs, 288 were disbanded and 434 separated their links with these organs. Most of the party and government cadres holding concurrent jobs at companies (enterprises) resigned from their concurrent posts. The work to crack down on speculation is being stepped up. Thanks to the work in the previous period, the overheated economy has begun to cool down, economic order has gradually improved, market supplies have increased, price increases have slowed down, and bank savings deposits have picked up. During the Spring Festival period this year, supplies of market commodities were abundant and prices were stable with some decline.

H. The province has facilitated the improvement of the socialist legal system to provide a good social environment for reform and construction. Governments at various levels had more initiative in subjecting themselves to the supervision of people's congresses and their standing committees, reported their work in a timely manner, conscientiously carried out the resolutions of People's Congresses and their standing committees, attached importance and gave heed to the opinions of members of the committees of Chinese People's Political Consultative Conference [CPPCC], conducted consultation and



dialogues in society, and strengthened the work to handle people's letters and visits. All 982 motions, criticisms, and suggestions submitted by People's Congress deputies and CPPCC members last year have been handled. The province also strengthened the systems for establishing rules and regulations and the improvement of the law-enforcement contingent, conducted extensive education to popularize knowledge about laws, and paid attention to the inspections of law enforcement. The provincial government and most city and county governments have hired law advisers and stepped up the improvement of the organs related to the legal system. Over the past year, the provincial government has submitted six draft laws to the provincial People's Congress Standing Committee for discussion, formulated and issued 59 regulations, and straightened out 112 regulations related to foreigners. Meanwhile, all localities throughout the province have intensified efforts to tackle public security problems in a comprehensive manner and cracked down hard on criminal economic activities and other criminal offenses, thus ensuring a basic stability in public security and social order.

1. The province stepped up efforts to improve government organs and change their functions and work styles. Over the past year, governments at various levels have delegated power to lower levels; changed their functions; strived to serve the grass-roots levels, the masses, reform, and opening up; and improved their way of thinking and work styles. The overwhelming majority of the functional departments have become notably more active and had more initiative in carrying out their work. To make its policymaking more democratic and scientific, the provincial government hired 144 veteran comrades with rich experiences in and outside the province as its consulting and economic advisers. In addition, it strengthened its information work and attached importance to the advisers' opinions and suggestions. The province and various localities conducted many investigations and studies on reform, opening up, development of the commodity economy, and issues the people were concerned about, such as supplies of materials for farm use, purchases of farm and sideline products, market prices, environmental protection, and family planning. The provincial government established a system under which its leading members hold the responsibility for attaining the fighting goals for the next 5 years within their tenure and carried out the activities for lower levels to appraise the higher levels. Governments at various levels also exerted efforts to remain honest in performing official duties; summarized and popularized the experiences of Tancheng, Changle, and other areas; launched the activities to publicize government work and allow the masses to exercise supervision and discuss government work; and established and improved the various systems to keep their organs honest and diligent. This has begun to yield results.

The achievements in developing the province's national economy and all social undertakings in 1988 were made thanks to the unified efforts of the people of various

nationalities throughout the province to implement the party's line, principles, and policies. Meanwhile, people's congresses at various levels and their standing committees as well as the CPPCC committees at various levels effectively supervised and enthusiastically supported the government work. The vast number of workers, peasants, cadres, and intellectuals; the commanders and fighters of the People's Liberation Army (PLA) units and the armed police forces; all democratic parties, and mass organizations made positive contributions to the province's reform and construction work. The compatriots from Hong Kong, Macao, and Taiwan; Overseas Chinese; and foreign friends showed enthusiastic concern about the province's economic construction and sincerely cooperated with each other to support it. On behalf of the provincial People's Government, I express my heartfelt thanks and respect to you.

Fellow deputies! While fully affirming the gratifying achievements in the reform and construction work made over the past year, we must clearly notice the difficulties and problems in the course of advance. These difficulties and problems were principally as follows:

A. The prices of goods rose by a large margin, and circulation was relatively confused, primarily because of the overheated economy, the excessively high demands, ineffective management, and the imperfect self-restriction mechanism. 1) The scale of investment in fixed assets was overexpanded during the past few years. Last year the province's investment in fixed assets was 36.29 billion yuan, an increase of 21.9 percent over 1987. Since 1985 the average annual increase in the investment in fixed assets was 26.8 percent, much higher than the increase in the national income during that time. In particular, there were excessively more on-going unplanned projects, nonproductive projects, and processing lines; and the trends of building office buildings, auditoriums, and hotels became increasingly more serious. Thus, the scale of investment was overexpanded and the investment structure was unreasonable. 2) Consumption funds increased excessively rapidly. Many enterprises and establishments recklessly issued bonuses, subsidies, and materials. Last year we adopted various measures to control the group purchasing power. If the price of goods is factored in, the province fulfilled the state assigned task for controlling the purchasing power of county-level institutions. However, because the purchasing power of town and township institutions was not covered in the scale of control, the expenses in the province's institutional purchasing power in 1988 increased by 25.5 percent over the previous year. 3) Excessively more money was put on the market. The net amount of money that was put into circulation in 1988 increased by 86.9 percent over the previous year, which exceeded the increases in the normal demands of production and circulation. To a certain extent this helped to promote price hikes. 4) The excessively rapid increases in some processing industries greatly helped to expand the strains on energy resources and raw materials and helped to promote increases in the price of energy

resources and raw materials. 5) Macroeconomic control and management work could not keep abreast of the new situation in which the old systems were replaced by the new. As a result, the phenomena of unfair distribution and confused circulation emerged. "Trends of price hikes" and "panic buying trends" took place in some localities for a time. By taking the chances that reforms were not coordinated and that the double-tracking system was carried out, a small number of enterprises and individuals bought goods and resold them at staggering profits, exploited profits at intermediate channels, indulged in speculation, and rushed to increase the price of goods in order to reap staggering profits. Some law-breakers seriously damaged the interests of the state and the people by manufacturing and selling poor-quality and counterfeit commodities.

B. The agricultural foundation could not suit the demands of the national economic development; and the production of grain, cotton, and oil-bearing crops remained stagnant. The peasants' enthusiasm for developing cropping industries was dampened because they would gain low results from growing crops, the agricultural capital goods were in short supply, and the prices of agricultural capital goods were excessively high. We failed to invest sufficiently in agriculture, particularly in water conservancy. Thus, the conditions of agricultural production were improved slowly. Many water conservancy projects became old and were not repaired. Thus, the province weakened its capacity to combat disaster. The serious drought during the past successive years made the production of grain, cotton, and oil-bearing crops become stagnant again and restricted the economic development and the improvements in the people's livelihood.

C. Education was still incompatible with the needs of economic and social development. During past years, governments at various levels and people throughout the province exerted their utmost efforts to develop education, but education remained a major factor restricting our province's economic and social development. Because of a long-term failure to complete a great number of undertakings for education—which we should have completed but cannot possibly complete within a short period of time—the teaching conditions of many schools, particularly some public primary and middle schools, remained rather poor. The structure and faculties of schools were not rational enough, and the training of talented people could not meet the needs of the four modernizations drive. Many schools laid undue emphasis on achieving a larger proportion of students entering schools of a higher grade, their moral education and ideological and political work became weak, and their students bore too heavy a burden of schoolwork, which affected their overall development. In some localities, students disliked their studies and discontinued them, and the number of illiterate adults increased.

D. Some problems meriting our attention existed in the field of ideology. Our province's cadres and ordinary

people generally had active and progressive ideas. However, because they did not prepare mentally for the arduousness and complexity of reform and for the numerous problems that might be created during the development of the commodity economy; and because of our ineffective ideological and political work, some cadres and ordinary people had confused ideas. There was an increase in the ideas of asking for something without making sacrifice, seeking comforts without hard work, pursuing personal interests to the neglect of state and collective interests, and remaining passive, feeling dissatisfied, and making complaints. Corrupt ideas, feudal superstition, and bad customs and habits spread in some localities.

E. New factors leading to instability emerged in public security. Judging from the overall situation, public security in our province was "basically stable but had many problems." On the one hand, in the new situation in which reform, opening up, and the commodity economy were greatly developed, some new factors leading to instability emerged and various criminal activities and ugly phenomena cropped up. On the other hand, our efforts to comprehensively tackle public security problems were uneven and our measures were not implemented, while some localities had weak basic work and were ineffective in preventing and cracking down on criminal activities.

F. Some corrupt phenomena appeared in some government organs and cadres. The way of thinking and the work styles of government organs and personnel in our province generally were good. They worked hard and achieved good results. However, bureaucracy and passing the buck were not yet eliminated once and for all; such unhealthy trends as ostentation, waste, extravagance, and giving parties and gifts with public funds developed; and a small number of people abused power for selfish gains, committed embezzlement and bribe-taking, and engaged in dereliction of duty and malfeasance, thus ruining the good reputation of the people's governments and damaging the relations between the government and the people.

There are both objective and subjective reasons for these problems. In the process of developing the commodity economy and changing from the old system to the new, it was unavoidable that some problems emerged; but our work guidance was also improper in some areas. In the past few years, we always wanted to develop our economy, especially industrial production, more rapidly and to make our various undertakings more successful. However, our ideas about demanding quick results and unrealistic competition encouraged the overheated economy and over-ferocious demands and aggravated the contradictions between supply and demand. Despite our great amount of work for agricultural production, we failed to fully estimate the new situations and new problems that might emerge or to adopt priority policies and effective measures in a timely manner to support it.



Under a commodity economy, we still lacked experiences and necessary methods concerning ways to deregulate and invigorate the microeconomy, successfully manage the macroeconomy, and effectively control the overall economic situation. We discovered and dealt with some problems too slowly, such as the failure to curtail projects outside the plan and consumption demands, to deal blows at "bureaucratic speculators," and to eliminate corrosive phenomena. We grasped the construction of the material civilization more vigorously and made greater efforts in this regard, but paid insufficient attention to the construction of the spiritual civilization and to work in the ideological and political fields and did not get a hold on them. All of these should be regarded as future tasks and be improved without fail.

In reviewing the work done over the past year, achievements are obvious and the main trend of development in the situation is good. However, quite a few problems stand out, and many experiences and lessons are worth drawing from. We must carry forward our achievements, overcome our shortcomings, and make sustained efforts to continuously advance and to improve our future work to a better extent.

## II. The Basic Tasks of 1989 Governmental Work

Nineteen eighty-nine is a crucial year in deeply implementing the spirit of the 3d Plenary Session of the 13th CPC Central Committee and the tasks adopted at the 5th provincial party congress. Conducting our work successfully this year is very important in maintaining long-term economic stability and development and long-term social peace and order and in fulfilling the target of having the people become wealthy and making the province prosperous. During the new year, we should proceed from reality and earnestly implement the spirit of the 13 CPC Congress, the 3d Plenary Session of the 13th CPC Central Committee, and the 5th provincial party congress. We should uphold the principle of developing the socialist commodity economy on the one hand and grasping ideological and political work on the other hand; place the emphasis of our work prominently on the tasks of improving the economic environment, rectifying economic order, and deepening the reform drive in an overall way; vigorously grasp the key task of readjusting the economic structure; strengthen the agricultural foundation and scientific and technical education; stabilize market prices; and vigorously launch the "movement" of increasing production and practicing economy as well as increasing incomes and curtailing expenses to markedly increase economic results, consolidate or develop the political situation of stability and unity, and promote the national economy and various social undertakings to achieve steady and stable development.

Main tasks and targets for the province to develop the economy and achieve social development in 1989 are as follows:

—We should resolutely curtail overheated demand. In line with the state plan of macroeconomic readjustment and control, we should show a 6-billion-yuan

decrease over 1988 in investments in fixed assets of the province and the entire society. We should maintain the scale of credits and loans and the volume of currency released within state-assigned targets. We should strictly control the managerial expenses of administrative undertakings, enterprise managerial expenses, and social institutional purchase power and have the phenomena of issuing bonus, subsidies, and articles arbitrarily be effectively blocked. Meanwhile, efforts should be made to adopt various ways and means to turn more consumption funds into production and construction funds.

—We should make an effort to increase effective supplies. Efforts should be made to adopt all possible ways and means to wrest a bumper agricultural harvest this year; to maintain an adequate increase in industrial production; and to vigorously increase the output of farm and sideline products, industrial products for agricultural production, high-class products in short supply and daily consumer goods, export commodities, and products replacing imported goods. On the premise of continuously increasing economic results, the province's GNP should show increase 8 percent over 1988; national income, 7.5 percent; total industrial and agricultural output value, 10.2 percent; total agricultural output value, 3.5 percent; total industrial output value, 12 percent; and financial revenues, 7.5. On the basis of developing the economy, efforts should be made to adequately improve the people's livelihood.

—We should manage market prices well. Through consolidating economic order and strengthening and improving market management, we should effect a remarkable change in the confused circulation sphere and further enable urban and rural markets to flourish. The total volume of retail sales throughout the province increased 18 percent over 1987, and the general price index of retail market sales dropped remarkably from 1987.

—We should positively readjust and optimize the economic structure. In light of the structural contradictions in the provincial economy, we should make great efforts to readjust the economic structure in line with state production policies. Through readjusting the production set-up, the product mix, the organizational structure of enterprises, the investment structure, the credit-granting structure, and the direction of materials input, we should strengthen agriculture; further develop such basic industries as the energy industry, the communications industry, the telecommunications industry, and the raw materials industry; rationalize the structures among primary, secondary, and tertiary industries and among different trades; and effect a marked improvement in product quality and economic efficiency.

—We should firmly and unswervingly promote reform and openness. Through the deepening of rural and enterprise reforms, the strengthening of the macroeconomic regulation and control system, and the development of the market system, we should enable the entire economy to develop still more vividly and in a more coordinated manner. We should continue to expand economic and technological cooperation with foreign countries and maintain stable progress in economic relations with foreign countries and in foreign trade.

—We should further strengthen the momentum for economic development. Based on the need to curb the total scale of investment in fixed assets, we should ensure the construction of budgetary key projects and the technological transformations of key enterprises and key products. We should add new production capacity of raw coal, crude oil, salt, and soda ash; should build a number of new traffic and communications facilities; should add 700,000 kw of new installed generating capacity; and should strive to ensure the completion and operation of the project of diverting the Huang He's waters to Qingdao.

—We should vigorously promote technological progress and the development of intellectual resources. We should complete 320 joint research programs for solving key scientific and technological problems, spread the application of 450 new technologies, and develop some 4,000 new products. We should strive to effect new progress in schools of all types at all levels and should strive to improve the scientific and cultural expertise of the vast number of laborers.

—We should make great efforts to improve the ecological environment. We should engage in energetic tree-planting and afforestation, should be vigorous in making the barren hills and beaches green, should strengthen water and soil conservation, should firmly control the "three wastes," and should intensify environmental protection. We should manage the land according to law and should resolutely check instances of wanton land occupation and utilization. The provincial authorities and all localities should pay attention to building "natural protection zones."

—We should continue to intensify family planning. We should strengthen the sense of population and the per-capita concept; conscientiously implement the Shandong Provincial Regulation on Family Planning; stabilize the related policies; strengthen the management of goals; help the backward areas change their situation; and vigorously advocate the concepts of giving birth to fewer children, producing healthy and intelligent children, and getting married and bearing children later. In 1988 the provincial natural population growth should not exceed 11 per thousand.

—We should strengthen the building of the socialist spiritual civilization. We should conduct penetrating education on the current situation and tasks, on ideals and discipline, on democracy and the legal system, and on transforming social traditions. We should step up the study of social sciences and the building of Marxist theory. We should conduct an extensive patriotic public health campaign, accelerate the reform of the medical system, and strengthen the prevention and curing of diseases. We should positively develop culture, sports, broadcasting, television, press, and publishing undertakings and enrich and improve the people's spiritual and cultural livelihood.

Fellow deputies! In this new year, we will face arduous tasks and many difficulties. Our province's economic development will be restricted by such factors as shortages of water resources, energy resources, traffic and communications facilities, important raw materials, advanced technologies, and competent persons. In the province's economic development, there are also such sufferings as the swelling population, the decrease in cultivated land, and environmental pollution. These problems will continue to adversely affect economic and social development. During the course of improving the economic environment and rectifying economic order, some new situations and new problems will emerge and some contradictions will become more prominent in a certain period or within a definite scope. The current prominent difficulties and problems facing us are: First, there are some destabilizing factors in the market prices. The influence of last year's stagnancy after price adjustments, the consistent influence of the increased amount of money being put into circulation, and the influence of spontaneous price increases will all aggravate difficulties in stabilizing prices. Second, we are suffering from a serious drought and a water shortage. Our province has been plagued by drought for 10 years in succession. We have experienced scanty rainfalls and snows since last autumn. Because of the drought and water shortage, the growth of wheat seedlings in some poorly irrigated fields is poor. Some industrial enterprises must stop or restrict their production. Many localities have difficulty supplying drinking water for the people and livestock. Third, the shortage of foreign exchange and funds will affect the normal operations of production and circulation.

Our purpose for touching on these problems is to tell people throughout the province about the actual situations in the province in an effort to arouse their attention, unify their thinking, and make concerted efforts to overcome difficulties. At the same time, we should also recognize that there are many favorable conditions for doing our work well and overcoming difficulties during this year. First of all, we have a fairly strong material and technical foundation and can withstand the test of difficulties on our road of advance. Our economic strength currently is much stronger than at any time in the past. Second, the deepening of the attempt to improve the economic environment and rectify economic order and the improvements in readjusting the economic structure

will effectively improve the environment and conditions for reform and construction and will promote a benign economic cycle. Third, the comprehensive in-depth reform will help strengthen the vitality of enterprises and the entire economy and improve economic and social benefits. Fourth, the study of the guidelines of the 3d Plenary Session of the 13th CPC Central Committee and the 5th provincial party congress will help further arouse the enthusiasm of the people throughout the province in participating in reform and building the four modernizations. Fifth—the most important point—we have the correct leadership of the CPC Central Committee and the State Council. During reform and construction, party and government leaders at all levels have accumulated fairly rich experience. All these mutually related and mutually conditioned advantages will form joint efforts to promote the smooth and healthy development of the attempt to improve the economic environment and rectify economic order as well as the development of reform and construction. We are firmly convinced that as long as the people throughout the province unite as one, make strenuous efforts, promote strong points, avoid shortcomings, and display advantages, they will surely overcome the difficulties on their road of advance and successfully fulfill all tasks in 1989.

### **III. During This Year, We Particularly Must Grasp Well 10 Major Matters**

In order to comprehensively fulfill the various tasks focusing on improving the economic environment, rectifying economic order, and deepening reform, governments at all levels throughout the province must concentrate efforts on grasping the following 10 major matters.

A. We should use the guidelines of the 3d Plenary Session of the 13th CPC Central Committee and the 5th provincial party congress to unite with the ideology and actions of the province from the higher to the lower levels.

In order to successfully fulfill various tasks this year, it is most important that the entire province, from the higher to the lower levels, and all trades and professions should continue to deepen their study of the guidelines of the 3d Plenary Session of the 13th CPC Central Committee, unify their thinking, take concerted actions, exert joint efforts, and effectively carry out all fields of work. Through the previous stage of study and discussion, the broad masses of cadres have a deeper understanding of the guidelines; have further boosted their enthusiasm for improving the economic environment, rectifying economic order, and comprehensively deepening reform; and have greater confidence in overcoming difficulties and being victorious. However, there are still many ideological problems and confused ideas that are incompatible with the demands of the situation and tasks. Therefore, it is very necessary to study again, to deepen our understanding, to maintain close connections with reality, and to further unify the ideology and actions of the broad masses of cadres.

First, we should deepen our understanding about the importance and necessity of improving the economic environment and rectifying economic order. Like the whole country, our province's economic situation is principally good; however, there are really problems concerning the overheated economy, the excessively high demand, inflation, and the confused economic order. If we do not conscientiously solve these problems, the gratifying situation will not be consolidated or developed and possibly will be lost. The theses of considering improving the economic environment and rectifying economic order as having nothing to do with ourselves, the wait-and-see attitude, the attitude of performing our duties perfunctorily, and the attitude of not enforcing orders and prohibitions are wrong and harmful. We must notice that the improvement of the economic environment and the rectification of economic order were the demands of the overall national situation as well as the requirements for smooth progress in the province's reform and construction. So, the improvement and rectification are of realistic economic significance as well as of far-reaching political significance. Governments at various levels and all professions and trades should fully understand the importance and necessity of improving the economic environment and rectifying economic order, enhance the sense of responsibility and urgency, consciously conduct improvement and rectification work, and make up their minds to solve economic problems.

Second, we should clearly understand that improvement and rectification are positive principles and, in reality, are readjustments. The improvement of the economic environment and the rectification of economic order help to create fine conditions and lay a fine foundation for ensuring a long-term and steady economic development and for comprehensively deepening reforms. The excessively large scale of investment must be controlled, the excessively large amounts of money that have been put on the market and increases in consumption funds must be controlled, and the excessively high growth rate must be reduced. The control of the scale of investment does not indicate an overall reduction of investment. The control of the circulation of money and the increases in consumption funds does not mean exercising excessively rigid control over the work in these aspects. The reduction of the excessively high growth rate does not mean major ups and downs. We must control those that should be controlled, ensure those that should be ensured, reduce those that should be reduced, and increase those that should be increased. We should resolutely control those that should be controlled in order to stop inflation and should ensure those that should be ensured in order to realistically ban the phenomena of economic stagnation. The key hinges on readjusting and optimizing the economic structure to make new development and improvement in various economic sectors.

Third, we should treat accurately the problems that arise in the course of reforms and should enhance our ability to bear reforms. Through the last decade of reforms, we



have scored gigantic achievements, the productive forces have developed rapidly, economic strength has been greatly enhanced, and the people's livelihood has noticeably improved. The orientation of reforms is completely accurate. However, reform is a new undertaking; so, plain sailing is impossible, and a few unexpected turns will inevitably and normally take place. Finally, gigantic interests unquestionably will be brought to the people through reforms. However, not all specific measures for reforms can bring instant benefits to the people. When faced with problems and contradictions, we are never permitted to be negative, have complaints, even have doubts and yearn for the old systems, or take the road back. To make comprehensive successes in reforms, cadres at various levels and the vast number of the masses should further enhance their psychological ability to bear reforms, prepare for ensuring "labor pains" before implementing the new systems, make sacrifices if necessary, and vow to carry out reforms thoroughly.

Fourth, we should have firm confidence in stabilizing the economy and the prices of goods. At present, some cadres and people doubt or do not have firm confidence in improving the economic environment and rectifying economic order, particularly, stabilizing the prices of goods. We say that there are actually great difficulties in improving the economic environment, rectifying economic order, and stabilizing the prices of goods. We must exert the greatest efforts to achieve the work in this regard. We must never be blindly optimistic or lower our guard. However, the achievements depend on our efforts. Only when we pay great attention to the work, adopt a resolute attitude, take effective measures, and do our work in a down-to-earth manner will the economy and the price of goods be stabilized. We have scored initial results from the improvement of the economic environment and the rectification of economic order over the past 4 months or so. The results from some measures will successively be reflected in the foreseeable future. So long as we unswervingly attend to the work and implement the measures of the central authorities and the province to the letter can the overall economic, market, and pricing situation be improved continuously. We must have full confidence in this regard.

B. We should emphatically do a good job in improving the environment and rectifying order to actually ensure market price stability.

The 3d Plenary Session of the 13th CPC Central Committee has defined that the focal point of reform and construction in 1989 and 1990 is prominently placed on improving the economic environment and rectifying economic order. In 1989 we should integrate our work with the province's actual situation, deeply implement the important central policy decision, and have the work of improving the environment and rectifying order take an important step and achieve marked results in order to ensure that price hikes are obviously lower than in 1988.

Work undertaken by units at all levels and by various industries and trades throughout the province should render service for and abide by this target.

First, we should resolutely curtail the scale of investment in fixed assets. The excessively large scale of investments in fixed assets is a fundamental cause of the overheated economy, the excessive demands, and inflation. In improving the economic environment, it is imperative that a drastic measure be taken in dealing with the situation to curtail the excessively large scale of investments. In 1989 the province should score a decrease of 6 billion yuan from 1988 in the total volume of investments in social fixed assets. Not only can this reduce the release of credits, loans, and currency, but also can score a decrease of 600,000 tons in steel product consumption and 2 billion yuan in consumption funds. It can also save a large amount of energy resources, building materials, and machinery and electric equipment. The focal point in curtailing the scale of investments should be placed on curtailing projects outside the plan; nonproductive projects; particularly projects of building auditoriums and hostels; and projects of general processing industries which have no raw material sources and practical energy resources and which score poor economic results. In 1989 the province will not start in principle any new construction projects and will not build new auditoriums and hostels for 3 years. In line with the spirit of curtailing projects, various localities and departments should readjust their plans for investments and examine the projects they have under construction. They should truly cut or curtail projects of theirs which deserve to be cut and curtail those they treasure. Meanwhile, a good job should be done in dealing with the aftermath of suspending or putting off the construction schedule of projects to avoid suffering large losses. Second, we should bring under control the scale of credits and loans and the increase in consumption funds. In conducting the work of issuing credits and loans, we should resolutely implement the "principle" of bringing total volume under control, readjusting the structure, ensuring the focal point, and curtailing the general items. Efforts should be made to suspend loans for projects outside the plan and for various companies which are on the list for disbandment, and to curtail loans for products under restriction so that the scale of credits and loans and currency release are ensured within the control target set forth by the state. We should continue to vigorously curtail social institutional purchase power, increase from 29 to 32 the number of products under special control, and lower the level of units which are directly in charge of curtailment from county-level or above units to township- and neighborhood-level enterprises having at least 200 workers and personnel. The focal point of bringing under control the excessively rapid increase of consumption funds should be placed on enhancing the management of funds outside the budget and resolutely blocking the arbitrary distribution of bonus, subsidies, and articles. Extrabudgetary provincial funds have reached more than 8 billion yuan. A success in utilizing or managing these funds well will play an important role in developing production and



curtailing consumption. Departments and units at all levels should strictly follow the regulations when utilizing and managing these funds and refrain from spending them arbitrarily. The departments of finance, banking, and audit affairs should enhance their guidance and supervision in this regard and carry out regular inspections.

Third, we should make efforts to improve market supplies. In dealing with the problem of inflation, we should not only curtail excessive demands but also increase effective supplies and improve market supplies. In supplying daily consumer goods which are closely connected with the people's livelihood, production departments should adopt every possible means to organize the work of increasing the output. Commercial departments should actively organize purchasing and sales work and particularly ensure that supplies and sales of grain, oil-bearing seeds, coal, matches, soap, salt, and toilet paper do not stop. The "vegetable basket" of both the urban and the rural people represents a yardstick in measuring market supply. Price increases of meat, eggs, and vegetables account for two-thirds of all price increases for consumer goods. Governments at all levels must grasp the production and supply of nonstaple foods such as meat, eggs, and vegetables as one of the important tasks. Top government leaders in urban areas must grasp the work personally, and comrades who share the work must take the initiative in grasping the work. We must adopt encouragement policies to support the production of meat, eggs, and vegetables, purchase and transport these products through various channels, do a good job in regulating the supply during slack and busy seasons, and strive to ensure that the supply of meat, eggs, and vegetables will be much better than last year. Large- and medium-sized enterprises and key industrial and mining areas should adopt the method of combining urban and rural efforts, and combining industry with agriculture and commerce with agriculture to establish and develop nonstaple food bases. It is necessary to make continued efforts to build and manage trade markets and display their role for invigorating the economy and making things convenient for the people.

Fourth, we should conscientiously conduct price, financial, and taxation inspection and strengthen management over market prices. In price, financial, and taxation inspection, we must combine self-inspection with spot-checks, departmental management with mass supervision, and regular inspection with regular work so as not to stop the work or slacken our efforts during the year. With regard to the various types of discipline violation cases that have been exposed, we must strictly handle them in line with the law. Some illicit gains should be confiscated. Heavy punishment should be meted out for some cases. Some persons should be given party or administrative disciplinary sanctions, and some should be held accountable for their criminal liabilities. With regard to major and appalling cases, regardless of which departments and persons are involved or what posts they are serving, whether high or low, we must investigate

them thoroughly and deal with them resolutely. By no means should we be soft-hearted. Governments at all levels should strengthen auditing work and be determined to establish and improve the market price management system. All business units, regardless of whether they are state-owned, collective, or individual units or whether they are wholesale or retail units should put price tags on their commodities and should consciously place themselves under supervision and inspection. Price monitoring and supervisory networks should be further improved in urban and rural areas, and the telephones, mailboxes, stations, and centers used for reporting corruption should be retained on a long-term basis in order to displace their role. We must place chemical fertilizers, agricultural chemicals, agricultural plastic sheets, and color television sets under exclusive state control. Cotton, silk cocoons, and other agricultural and sideline products in short supply must be sold at departments appointed by the State Council and the provincial government. Extrabudgetary steel products may all be marketed at state-approved steel product markets, and price ceilings should be set. It is necessary to set price ceilings or fix the selling prices of some sensitive daily industrial products, scarce goods, or consumer goods. We must implement the system of having leading cadres take care of prices. Units which arbitrarily raise prices or the standard of charges and localities which break the price index and the control targets must be investigated and their administrative leaders held responsible.

Fifth, we should thoroughly clear up and consolidate companies. The focus should be placed on clearing up all-purpose companies, nonbanking companies carrying out banking business and companies engaging in key agricultural capital goods and scarce durable consumer goods businesses, department-run companies which fail to separate government and enterprise functions, companies run by party and government organs or party and government cadres, and commercial business companies run by retired cadres. Through clearing up companies, we must abolish or merge all companies that should be abolished or merged, improve the relations of various sectors that should be, and realistically solve the problems of failing to separate government and enterprise functions and government and commercial undertakings and of reselling products to seek great profits. Companies that should be retained must be reregistered. All companies should further clarify their operation principle, business scope, and laws and regulations which they must observe in order to develop soundly along a correct path. The power for new companies to examine and approve projects must be appropriate and concentrated in order to solve the present confused situation in which there are too many persons in charge of the work. During the first half of this year, the province—down to cities, prefectures, and cities—must fulfill their tasks of clearing up and consolidating companies.

C. We should try every possible means to strive for a bumper agricultural harvest this year.

Since the 3d Plenary Session of the 11th party Central Committee, great progress has been made in the province's rural economy and tremendous changes have taken place in the outlook of rural areas. However, along with industrial development, increased exports, and the improvement of the people's living standards, new problems have emerged in agricultural production, and the cropping industry has already become a considerably weak link. Agriculture is the foundation of the national economy, and grain production is the foundation of agriculture. Whether or not we can reap a bumper harvest in agriculture, particularly in grain, cotton, and oil-bearing crops, has a bearing on the overall economic situation and on social stability. Whether or not we can yield marked results in improving the economic environment, rectifying economic order, and stabilizing market prices depends primarily on agriculture, in particular on the output of grain crops, cotton, oil-bearing seeds, meat, eggs, and vegetables. Therefore, all departments from higher to lower levels and all professions and trades in the province must further deepen their understanding of agriculture's role as the foundation of the economy. On no account should we neglect the reality that agriculture is still weak, because the rural economy has developed rapidly during the decade of reform. On no account should we be content with things as they are, because our peasants have basically secured a life with enough food and clothing. On no account should we slacken leadership and support to agriculture because of the general implementation of the household-based contract responsibility system. The provincial rural work conference held this January adopted the decision of mobilizing the entire party and all the people to intensify the foundation of agriculture in order to ensure that agriculture will embark on a new stage. During this new year, we will focus the leaders' energy and our policies and measures on agriculture and will depend on preferential policies, sciences and technologies, and increased investment to mobilize all forces that can be mobilized in an effort to reap a bumper agricultural harvest.

First, we should increase the input into agriculture. This year, the amount of funds to aid agriculture and administrative expenses for it that have been arranged by the provincial financial budget is 44.4 percent more than last year. The investment in agricultural capital construction released from the provincial budget increased by 36.4 percent over 1987. The provincial budget also projects a 15-percent increase in the investments (including the state funds and the provincial supportive funds) in developing the Huanghe-Huaihe-Haihe plain, the shallow waters and beaches along the coast, the Huang He delta, and mountainous areas, as well as the investment in building agricultural by-product bases. In addition to the seven state measures, the province has adopted four additional measures for establishing the agricultural development fund. In 1988 the foreign exchange spent on importing materials and goods for agricultural use increased by 14 percent over 1987. Loans granted for agricultural development increased by 18.1 percent. In addition to the increased state investment, the more

important thing is to guide peasants to increase their monetary input and labor accumulation. Over the past few years, the funds and labor services spent by peasants on farmland water conservancy projects have amounted to 2 billion yuan every year. We still have great potential in this regard. We should guide peasants to carry forward the spirit of self-reliance and arduous struggle and encourage them to increase the input into agriculture as much as possible. Peasants should be encouraged to put forth their strength or money, if they have it, to initiate more farmland capital construction projects. They should also be encouraged to vigorously accumulate and create organic fertilizer and increase its application in order to improve conditions for production.

Second, we should energetically spread agricultural sciences and technologies. We should accelerate the construction of the system for spreading the application of agricultural sciences and technologies as well as the construction of town and township agricultural technological stations. We should increase the investment in developing agricultural sciences and technologies, vigorously popularize fine varieties and advanced cultivating and managerial technologies, and implement plans for reaping bumper harvests. This year we should pay attention to spreading 11 highly efficient agricultural technologies which are easily applied, including the purification and rejuvenation of existing fine varieties of crops, the cultivation of high-yield crops, vertical cropping, the culture of fertility for infertile land, and dry-land farming. We should extensively spread the application of such technologies as intensive sowing of wheat, supportive cultivation of summer corn, fine varieties of sweet potatoes, plastic-film coverage and transplant of cotton seedlings, the variety of medium-mature big peanuts, the application of fertilizer according to respective conditions, and the comprehensive prevention and curing of insect pests. At the same time, we should successfully build high-yield bases. Beginning this year, we should carry out a 3-year project of developing 1.5 million mu of farmland having a grain yield of 1,000 kg per mu. Through this project, we should help the grain yield of another 7.5 million mu of farmland reach 850 kg per mu.

Third, we should perfect and implement agricultural policies. We should stabilize the household contract responsibility system with payment linked to output, enrich the contents of the contract system, strengthen contract management, and regularize and institutionalize the procedures for signing, appraising, honoring, changing, and terminating contracts. According to state regulations, we should appropriately raise the contracted purchase price for grain and cotton, increase the amount of goods and materials having a distribution linked to grain sales, and ensure the implementation of this. Meanwhile, we should carry out the method of contracting for the allocation of cotton in order to effectively arouse the enthusiasm of the localities and cotton growers.

Fourth, we should develop the construction of farmland water conservancy projects with the focus on combating

drought and floods. We should set our sights on combating disasters and reaping bumper agricultural harvests and prepare well against various natural disasters. The current priorities are to combat drought and ensure wheat growing and spring sowing. Areas along both sides of the Huang He should bring the Huang He's advantages into full play, strive to divert, use, and store more water from the Huang He, and make efforts to deliver more water to border and remote areas and highlands. Mountainous areas should adopt various measures, such as digging wells, storing and retaining floodwater, damming rivers, rebuilding water conservancy projects, and drawing water from wells in order to extensively open headwaters. Plains and lakeshores should make plans to dig or repair some motor-pumped wells and deep wells for irrigating farmland. We should vigorously popularize water-saving technologies and upgrade the rate of water utilization. Mountainous and hilly areas without conditions for irrigating farmland should popularize agricultural technologies for dry land and proceed from reality in adopting measures to combat drought and ensure bumper harvests.

Fifth, we should achieve developmental production. The Huanghe-Huaihe-Haihe plain should focus its development on transforming low- and middle-yield cropland and carry out the method of comprehensively developing agriculture, forestry, animal husbandry, sideline occupations, and fishery with the focus on increasing the production of grain and cotton. In line with their actual conditions, mountainous areas should concentrate on developing cropping, forest fruit, breeding, processing, and mining industries. Islands, seashores, and lakeshores should positively bring in and popularize high-yield technologies while at the same time cultivating and developing natural resources and should vigorously develop the aquatic products industry and the aquatic products processing industry. Based on the work done in the preceding stage, we should take a new step in developing the Huang He delta. We should pay for the utilization of funds for development and speed up the capital turnover so as to witness the best economic results. We should pay full attention to developing animal husbandry; adopt policies of protection to stabilize the production of hogs and chickens, and vigorously develop herbivorous livestock and poultry, including cattle, sheep, rabbits, and geese. Ensiling crop straw is a way to save grain, raise large numbers of livestock and poultry, and increase the peasants' income. Ammoniating crop straw is a way to increase the production of organic fertilizer, enrich soil fertility, reduce production costs, and alleviate the strain on the supply of chemical fertilizer. More results can be gained from these two methods; so, we should positively advocate and comprehensively carry them out and strive to achieve noticeable successes in this regard. In forestry production, we should resolutely implement "the forest law," further implement the system of responsibility for fulfilling fixed targets, open various channels for increasing input, and mobilize the masses to accelerate the development of afforestation in mountainous areas and plains and the

construction of economic and high-yield forest bases. It is necessary to develop a yard-based economy. We should organically link developmental production with the work of supporting the poor in order to accelerate the pace of helping poverty-stricken areas extricate themselves from poverty and seek wealth. This year we should strive to have some 240,000 poverty-stricken peasant households extricate themselves from poverty. We should strengthen leadership over the work of supporting the poverty-stricken areas that have been newly added by the State Council and provide them with a work force, material and financial resources, and technologies. Counties with financial subsidies should continue to be supported and taken care of.

Sixth, all professions and trades should positively support agriculture. Industrial departments should give priority to the production of products for agricultural use and provide materials and technologies to support agricultural development. Industrial departments should emphatically attend to the expansion of two medium-sized nitrogenous fertilizer plants and the technological transformation of 20 small chemical fertilizer plants, increase the production of high-efficiency and low-toxicity chemicals, and strive to make this year's production of chemical fertilizer and chemicals substantially higher than last year. Circulation departments should realistically organize the supply of agricultural capital goods and the purchase of farm and sideline products; do a good job in the specialized management of chemical fertilizer, farm chemicals, and plastic films; reduce circulation charges; improve circulation services; and strive to make the peasants gain more real benefits. Industrial enterprises using farm and sideline products as raw materials, commercial enterprises, supply and marketing cooperatives, and foreign trade enterprises should actively cooperate with the peasants, set up commodity supply bases for them, and develop agriculture-industry-commerce-trade economic associations.

Seventh, we should bring into full play the important role of town-run enterprises in developing the rural economy. These enterprises represent important forces in building up agriculture, making up for agriculture, and enhancing agricultural production. In improving the environment and rectifying order, we should enthusiastically support the development of town-run enterprises, actively conduct guidance in the development, avoid achieving development blindly, and prevent excessive development or retrogression. Efforts should be made to help town-run enterprises solve their practical difficulties in production and management and achieve steady and stable development. All town-run enterprises should uphold the principle of readjusting, restructuring, consolidating, and upgrading and do a good job in readjusting production and product structures, improving operation and management, developing lateral cooperation and standardized management, accelerating the pace of making technical progress, and adopting every possible way to reinforce their capability for competition and self-improvement.



Eighth, we should realistically enhance our leadership over agricultural production. The key to making progress in agriculture lies in enhancing leadership over production. Governments at all levels should exert all-out efforts to grasp agriculture, and their top leaders should take personal charge of agriculture. Township- and county-level governments should concentrate their efforts on grasping agriculture. Provincial, city, prefectural, and county authorities currently should dispatch their able cadres to the agricultural forefront to mobilize and organize the broad masses of peasants to whip up an enthusiastic upsurge of spring farming with the central task of combating drought in order to protect the growth of the wheat crop and ensue spring sowing operations. Efforts should be made to realistically enhance the management of wheat fields in order to wrest a bumper summer grain harvest this year. We should strengthen the managerial measures among the 4,000-mu wheat crop fields having good wheat growth in order to score more increases in output and should make efforts to prevent as small a decrease as possible in output among the 2,000-mu wheat crop fields having an abnormal wheat growth. We should also adopt every possible way to do a good job in planting enough major autumn crops and to ensure the planned acreage of grains, cotton, and peanuts. Efforts should be made to actively popularize the technology of intercropping and vertical cropping to upgrade the multiple cropping norm. A good job should be done in planting well on the "fields beside 10 areas" (0577 6708 0966). Localities that have the conditions should reclaim their wasteland to expand their farmland acreage. From now on, we should refrain from occupying farmland to develop fruit production. Efforts should be made to show great concern for the people's livelihood and particularly to help disaster victims overcome their difficulties in both production and livelihood to prevent the phenomena of fleeing from famine and going begging.

D. On the premise of increasing economic results, efforts should be made to maintain adequate industrial growth.

Excessively high speed in industry can intensify the contradiction between the supply and demand of energy resources, communications, and raw materials and cannot be endured. However, excessively low speed in which effective supplies are slow, markets are short of commodities, and financial revenues and export commodity output decrease may also cause stagnation and inflation in the economy. Therefore, in attending to industrial growth we should adequately "lower the temperature" and should not "seek uniformity in doing everything" and "put on the brakes." We should permit the existence of high or low speeds among regions, industries and trades, and enterprises because they have their own conditions. We should also refrain from launching a blind race for speed and carrying out average curtailment. The key to handling this issue lies in paying attention to tapping the production potential and conducting intensive management and to making a new breakthrough in structure optimization, technical

progress, and enterprise management so as to improve product grade and variety to a new level and to greatly increase economic results. This represents an important yardstick in measuring the leading capability, managerial level, and personnel quality of industrial departments and enterprises. Hereafter, we will chiefly depend on economic results instead of speed in examining industrial production. The provincial authorities will make public at regular intervals the per capita productivity, the profit and tax rate of sales, the profit and tax rate of fund utilization, the cost saving rate of comparable products, and the comprehensive rate of energy resource-saving scored by various localities and departments so as to enable the province's industrial development to be on the foundation of practical speed and good economic results.

In increasing economic results, first we should do a good job in readjusting the industrial structure. In line with state industrial policies and market demands, we should adopt the principle in which some items are ensured or curtailed, output can increase or decrease, good items are supported and poor ones are eliminated, and items are optimized and organized well. This should be done so as to gradually straighten out the proportional relationship between basic industries and processing industries, to increasingly rationalize the regional production arrangement and enterprise combination, and gradually optimize the product structure. In the province's readjustment of the industrial structure, we must keep our eye on the rational distribution of essential production factors and must place the emphasis on our layers. In other words, we must develop 100 types of products, including energy products, raw materials in short supply, daily consumer goods that are market-sensitive, agriculture-oriented products, medicines, machinery, and electrical products; develop 25 kinds of automatically controlled meters, integrated machinery and electrical equipment, macromolecular materials, highly effective energy saving machinery and electrical equipment, high- and medium-grade light and textile products, import institutes, and computer products and technology; restrict the production of 50 types of products, including products that are short of raw materials, products with poor technology, and products that cannot find a ready market; and stop the production of 17 products that cause serious pollution and cost the consumer lots of energy and products which the state has given explicit orders to eliminate through selection or competition. During the readjustment, we must pay special attention to developing the energy industry, such as the coal and electricity industries, and the communications and transport industries. All localities and departments should proceed in their work from their own reality, analyze and set priorities for projects and products produced by various trades and enterprises, and formulate specific plans for readjusting the industrial structure. This work is an important policy issue and involves many fields. We must combine the efforts of departments and regions and cooperate with all quarters. Economic regulation departments should support and closely coordinate with them.



To raise economic results, we must accelerate the technological progress of enterprises. All industrial departments and enterprises should pay attention to overcoming myopic behavior and intensify their momentum for development. While arranging for technological transformation, we must also readjust the industrial structure and develop technology. It is necessary to give priority to the arrangement of funds for the province's "hundred dragons" transformation projects and foreign-funded transformation projects and implement the measures to support them. We must do a good job in digesting and absorbing imported technology and must create new things, "transplant" them, and "graft" them into the imported technology. We must also increase the proportion of key technology and key parts at home. Key technological transformation projects must be organized and built according to reasonable construction schedules in an effort to put them into production to yield benefits at an early date. Through technological transformation, we must further strengthen the ability of the eastern areas to earn foreign exchange through exports, raise the level of intensive processing of natural resources in the western areas, develop more world-popular and competitive products that are needed in many localities, and research and manufacture more new products of an advanced international level that are new to the country.

To raise economic results, we must exert strenuous efforts to improve enterprise management. All enterprises must focus their work on improving quality, reducing consumption, increasing economic results, and guaranteeing safety; further perfect the management system; improve management methods; and strengthen basic work. We must conscientiously study and popularize the full work load work method, the mass management work method, the in-plant bank work method, and standardized work method of the Boshan cement plant, as well as the advanced management experience of the city of Qingdao—optimization of labor organizations. At the same time, we must actively create conditions and adopt advanced methods to modernize the management and information system. It is necessary to improve the management of enterprises, implement the system of "eliminating the incompetent through selection and competition," and abolish the "tenure system" in an effort to make more enterprises enter the ranks of advanced provincial or national enterprises. We should select a small number of enterprises and manage them in line with international practices.

E. We should continue to deepen urban and rural economic structural reform.

The current contradictions emerging in our economic life are the concentrated reflections of the deadlocks and frictions of the new and old systems. To solve these contradictions, we must rely on deepening reform and gradually improving the new system. We have no way to retreat. During this year, we must unwaveringly carry out the improvement and rectification work and firmly

deepen reform. The agricultural production responsibility systems focused on the family-based contract responsibility system, the orientation of developing the system of ownership comprising diverse components and forms and various circulation channels with the public ownership remaining predominant, and the policy of encouraging some people to rely on their own hard work to become rich ahead of others must remain unchanged. Except for the powers which should be recalled by a formal decree of the central authorities, all other powers which have already been delegated to lower levels will not be recalled by the provincial authorities, nor will they be recalled by various localities and departments at the next higher level. Those policies on opening to the outside and invigorating the domestic economy which have been proven feasible should be fully and better utilized. We should push forward reforms from the field of strengthening macroeconomic regulation and control and microeconomic invigoration.

In deepening the rural reform, we should further solve certain problems which hamper the development of productive forces on the basis of stabilizing the household-based contract responsibility system. Major ways to do this are spreading the implementation dual-level management and strengthening the service system; positively and steadily developing the cooperative economy, the shareholding economy, and the agriculture-industry-commerce integrated economy; and experimenting with the cooperative foundation and the appropriate economies of scale wherever possible and striving for new breakthroughs in this regard. Along with the development of the commodity economy, peasants have been confronted with some problems in production and management which they themselves cannot solve. This requires them to expand the scope of unified management and service. Various localities should make the most of the situation and gradually establish a socialized service system with various contents and various forms. At present, we should universally strengthen unified service in plowing, sowing, irrigation, plant protection, cultivation of fine varieties, technological development, repairing and maintenance of farm machines and tools, the purchase of means of production, and the marketing of products. Those localities which are relatively backward economically should pay attention to developing and expanding the economy at the village level and strengthening the functions of the service trade. Those localities which are relatively advanced economically should orient their economy to an orbit of developing industry and agriculture according to the demands of foreign trade and domestic markets; coordinating the production, supply, and marketing process; and combining urban economy with rural economy. In deepening the rural reform, we should persist in the principles of suiting measures to local conditions, stressing voluntary participation of the masses, and giving positive guidance. In the course of continuously popularizing the experiences of Zhucheng and Laiwu, we should gradually popularize Shouguang County's experience in applying the market incentive mechanism to promote agricultural

development, Zhoucun District's experience in developing the shareholding economy, and Tengzhou City's experience in developing the rural cooperative fund organizations in an effort to promote the constant deepening of provincial rural reform.

In carrying out enterprise reform, we should pay attention to deepening the developing in the following several fields on the basis of universally implementing contract management. First, we should institute contracting through open bidding and competition, select the best contractors from among all levels, change the contracting of managers to the contracting of all workers and staff, and perfect the content of contracting in line with the "Regulations on Contracting." Second, we should conscientiously implement the "Law on Enterprises", perfect the enterprise leadership system, and rationalize the relations among the party, government, and workers. Third, we should achieve success in the reform of the distribution system within enterprises and introduce and perfect various forms of the method of basing an enterprise's total payroll on its economic performance. Fourth, we should gradually spread the optimum organization of labor forces. Managers should be invited through open bidding, productive workers should be subject to optimum organization, and in-service personnel should be managed according to contracts. We should fix an advanced and reasonable quota, employ workers on a selective basis, and adhere to the flexible organization of labor forces. Fifth, we should achieve success in the experiment of reforming enterprise ownership. Economic entities with different forms of ownership and large, medium-sized, and small enterprises may purchase each other's shares. Newly built enterprises and enterprises with a heavy task of technological transformation are allowed to induce their workers and staff members to buy their shares. With approval, such enterprises are also allowed to sell their shares publicly. The province will select a group of large- and medium-sized enterprises to carry out experiments with the standard shareholding system. Superior enterprises should be organized to incorporate inferior enterprises, and poorly managed state-owned small enterprises should be put up for auction. By breaking with the restrictions of not changing ownership, administrative relationship, and financial delivery channels, we should develop a number of interrelated enterprise groups. Efforts should be made this year to build 100 large-scale enterprise groups in the province. Sixth, we should accelerate the separation of government from enterprises. Government departments should interfere less with enterprises and render more services to them. All powers delegated to enterprises by central and provincial authorities should actually be delegated to them. "Special zone enterprises" should be established on a trial basis among large and medium-sized state-owned enterprises and among enterprise groups. Collectively run enterprises may select their plants, employ their workers, distribute their profits, and assume responsibility for their profits and losses of their

own accord. Various kinds of unjustified financial levies should be resolutely checked in order to safeguard the legitimate powers and interests of enterprises.

We should further cultivate the market mechanism in conducting reform in the circulation sphere. Problems concerning regional blockades, barriers between different regions and between different departments, and the blockade in exchange of goods currently are comparatively prominent. All this has brought about new difficulties for enterprise production. On the premise of submitting to the state macroeconomic readjustment and control, enterprises should positively develop markets for commodities, capital goods, labor services, technology, and real estate and break the "blockades" and "barriers" to promote the reasonable exchange of production factors. We should pay attention to enlivening the short-term interbank loan markets, widen the channels for circulating funds, grasp the input of funds, and promote the development of production. We should reduce intermediate circulation links, stop exploitation by intermediate layers, resolutely deal blows to the illegal activities of rushing to raise the prices of goods, reaping staggering profits, and manufacturing and selling poor-quality and counterfeit products; protect consumer interests, establish market standards, perfect the market management system, and protect the normal order of markets.

Strengthening and improving macroeconomic control is an important part of deepening reforms. In line with the problems concerning excessively centralized and rigid old systems, we used to pay more attention to microeconomic vitality but failed to set up a new mechanism of macroeconomic control. From now on, we should exert great efforts to strengthen and improve macroeconomic control while continuously opening the country to the outside world to enliven the domestic economy. Governments and economic departments at various levels should further improve their functions, streamline their administrative procedures, delegate power to lower levels, and concentrate more time and energy on studying macroeconomic operation. In line with the requirement for "the state controlling the market and the market guiding the enterprises," we should positively explore new forms, means, and methods for macroeconomic control. 1) We should apply scientific methods to formulating industrial policies and appropriate taxation, financial, and pricing policies in order to guide the optimization of economic structural reform and the reasonable distribution of funds and materials. 2) We should strengthen the supervision and management of overall economic targets and the economic structure and achieve the readjustment and distribution of manpower and financial and material resources according to the overall economic situation. 3) We should set up an effective system for governing macroeconomic control. The province, cities and prefectures, and counties should appropriately divide their rights and define their management duties. Production and circulation departments, departments in charge of overall economic work,

economic lever departments, and supervision and examination departments should closely cooperate with one another. To this end, we must accelerate the pace of a coordinated reform of planning, financial, supply, foreign trade, financial, and housing systems. We should sum up and popularize Yantai City's trial experiences in setting up a new order of socialist commodity economy and gradually set up a new commodity economic management system and a new operational mechanism.

F. We should positively develop economic and technological exchanges and cooperation with foreign countries.

The world trend of reform and readjustment has provided us with a chance to expand our foreign economic relations and trade and to develop economic and technological cooperation. The central authorities decided to carry out preferential policies on developing the export-oriented economy in the course of improving the economic environment and rectifying economic order. So, the improvement of the economic environment, the rectification of economic order, and the deepening of reforms shall create fine conditions for expanding exports and using foreign capital. We should unswervingly carry out the economic development strategies for coastal areas; work in the spirit of always positively forging ahead, doing pioneering work, and blazing new trails, and strive to make fruitful achievements in conducting foreign economic and trade work.

We should conduct reforms and readjustment in order to find outlets for increasing exports and foreign exchange earnings. It is necessary to readjust and optimize the export product structure. We should increase the proportion of processed products in the export commodity structure and increase the proportion of precision and intensive processed products in the processed product structure so as to gradually change the situation of principally exporting raw materials, primary products, and cheap products. In addition, we must actively organize technology exports, actively develop tourism and labor service cooperation with foreign countries, and increase nontrade foreign exchange earnings. Through readjusting and improving our province's quality of export products and their competitiveness, we should have more machinery, electrical and light industrial products, clothing, handicrafts, and household electric appliances enter the international market. Efforts should be made to deepen the foreign trade system. Foreign trade enterprises should implement and improve the management contract responsibility system at various levels, dare to advance despite difficulties, boldly pioneer the road of advance, organize the supply of commodities to serve the entire country, guide local enterprises orient their production to world markets, actively improve operation and management, reduce links and expenses, use careful and efficient planning and management, and try all possible means to export more and to create more foreign exchange earnings. All cities and localities should implement the system of assuming

responsibility for the purchase of export goods, guarantee a steady increase in the production of export commodities, and fulfill or overfulfill all contracted tasks for delivering export goods. It is necessary to actively promote cooperation between foreign trade and industry and between foreign trade and agriculture as well as to promote the export agent system. Foreign trade departments should further change their functions, improve their work style, render good service, support production and development, and increase the sources of export goods. Planning, supply, banking, and pricing departments, as well as customs, commodity inspection, industrial, and communications departments, should exert their utmost efforts to help foreign trade and production enterprises solve difficulties. All localities and departments should take the overall situation into account, understand one another, make mutual concessions, reduce internal consumption, and avoid the emergence of various "great battles."

We must further open up new paths in order to use foreign exchange. All contracted items must be conscientiously fulfilled and gradually carried out. We must not sign contracts on intentional items which the state has issued explicit orders to restrict, nor should we actively sign contracts on items which have supporting ability and which the state has not restricted. We must boldly develop items concerning "putting the supply of raw materials and the marketing of production on world markets" and concerning developing "three forms of import processing and compensation trade." We must strive to run well the "Sino-foreign joint ventures, Sino-foreign cooperative enterprises, and wholly foreign-owned enterprises." We must fully use organs stationed in foreign countries and use our friendly relations with foreign countries, give attention to displaying the role of compatriots from Hong Kong, Macao, and Taiwan and of Overseas Chinese, understand the information, import funds and technology, and expand the sphere and channels of developing economic and technological cooperation with foreign countries. We should further implement and improve the open policy and the laws and regulations, strengthen the building of infrastructural facilities, raise work efficiency, and improve the investment environment.

We should make new strides in combining international cooperation with cooperation between the eastern and western parts of the province. We must grasp well and implement all agreements and cooperative items signed with the fraternal provinces and cities and actively explore new cooperative spheres and methods. It is necessary to make a breakthrough in combining cooperation of the eastern part of the province with that of the western part. Through developing enterprise cooperation and joint ventures, delivering products to other localities, conducting joint export business, and transferring natural resources and technology, the advantages of the eastern and western parts of the province will be mutually supplemented to achieve the common development. Provincial authorities should formulate policy



measures to promote the integration of the eastern and western parts of the province and should do a good job in serving as a bridge between them in an effort to successfully carry out the coordination and organizational work.

G. We should deeply and constantly carry out the campaign to increase production, practice economy, increase revenues, and reduce expenditures.

With regard to our province's economic construction, on the one hand we are short of funds, energy, water resources, and raw materials; on the other, there is fairly serious waste. All kinds of loopholes have emerged everywhere. An upward trend has emerged in the rate of material consumption in industrial production and the rate of fund appropriation, and the cost of comparable products has remained high. These situations are not only caused by the reasons of the production set-up, product mix, market prices, technology, and equipment but also by some more important reasons such as backward management and extensive production and management. This is true not only of industry but also of other trades, including agriculture, commerce, foreign trade, the building industry, communications, and the transport industry. The situation of waste, extravagance, and excessive consumption is fairly serious. A basic way to solve these problems is to conduct a vigorous campaign of increasing production and practicing economy and increasing revenues and cutting expenditures. It is particularly important to conduct this campaign during the process of improving the economic environment and rectifying economic order. This year we should conduct this campaign among all urban and rural areas and among all professions and trades in the province in a still more extensive, concrete, and effective manner. Efforts should be made this year to stabilize and improving the quality of industrial products, to cut the real material consumption of per-unit products by 2 percent, to cut the deficit by 25 percent, and to accelerate the turnover of floating funds by 3 percent. We should also strive to cut the commercial enterprises' expenses in circulation by 1 percent and cut their deficit by 20 percent. All professions and trades should yield real results in the planned utilization of water and in conserving water, oil, coal, and electricity.

To realize these demands, we must attend to the work in ideology, responsibility, measures, and policies. First, we should thoroughly conduct education on building up the country through thrift and hard work and mobilize the vast number of cadres and masses to increase production and revenues on the one hand and to practice economy on the other hand. Cadres and masses should be encouraged to voluntarily save every penny, every kilowatt-hour of electricity, and every drop of oil and water. Second, we should implement the responsibility system and assign the targets of "increasing production and practicing economy and increasing revenues and cutting expenditures" to every unit, every group, and every worker at each level. Third, we should establish and improve various kinds of managerial systems, including

the management of financial affairs, materials and goods, labor forces, technologies, cost of production, and security work, in order to plug loopholes of all kinds. At the same time, we should energetically conduct technological renovation activities among the masses, improve design and technology, and eliminate obsolete equipment and poor-quality products which consume much energy and yield low efficiency. Fourth, we should implement award and punishment policies and give regular assessments. Those units and individuals that make outstanding contributions to the campaign of "increasing production and practicing economy and increasing revenues and cutting expenditures" should be commended and awarded. Those units and individuals causing waste should be given economic punishment. Those units and individuals that cause grave accidents should be held to account and be punished according to law and discipline. In the process of the campaign, we should pay high attention to intensifying the collection and management of tax revenues, conscientiously execute tax laws, support tax collectors to exercise their powers according to law, and strive to collect all taxes which should be collected.

Strengthening family planning work and strictly controlling population growth is an extremely urgent strategic task. Our province has 80 million people. We are currently in a baby boom period. Such problems as early marriage, early child-bearing, and unplanned childbirths are extremely serious in some places. Government at all levels must pay attention to production and birth control simultaneously, with the aim of boosting material production and curbing the natural population growth rate. They should strengthen the responsibility system in family planning and orient family planning to the orbit of the legal system. They should actually strengthen the basic work at the grass-roots level and strive to change the situation of backward units. They should adopt effective measures to check unlawful marriage, early marriage, and early child-bearing; to substantially reduce unplanned child births; and to advocate and encourage the practice of one couple giving birth to one child. They should mobilize the forces of the entire society to create a strong public opinion and to successfully run social welfare undertakings in order to foster a fine atmosphere of giving birth to fewer children, producing healthy and intelligent children, and advocating late marriage and late child-bearing.

H. We should vigorously develop undertakings in science, technology, and education.

Over the past few years, great headway has been made in the province's scientific, technological, and educational undertakings. However, the problems of backwardness in science and technology and the shortage of intellectual resources are still very conspicuous, thus hampering the development of social undertakings. Governments at all levels all circles in society should further enhance their understanding of the important strategic significance of



scientific and technological progress and the development of intellectual resources. They should also deeply implement the principle of "revitalizing Shandong through science and technology" and concentrate all forces on effecting a new and still greater development of scientific, technological, and educational undertakings.

In accelerating the development of scientific and technological undertakings, first we should deepen the reform drive in scientific and technological systems and continue to relax the control over the scientific research units and scientific and technological personnel. Efforts should be made to further improve the responsibility system enforced among scientific research units and institutes, to carry out the optimization and combination of personnel, and to introduce competition and the market mechanism to promote scientific and technological personnel to better enter the main battlefield of economic construction and to enable the scientific research results to rapidly become practical productive forces. We should encourage scientific research units engaged in technical development to enter enterprise groups, to sign technical contracts or lease contracts with enterprises, to sign contracts on combining enterprises, and to buy enterprise stocks with personnel and technical offerings so as to form various kinds of associations between scientific research and production. Attention should be paid to basic scientific research, to stabilizing the contingent of personnel in charge of basic scientific research, to organizing well the work of overcoming technical difficulty, and to enhancing the reserve strength of developing science and technology. A good job should be done in earnestly popularizing and applying scientific and technological results. In 1989 we should establish a large number of technical forerunner enterprises which engage in export production and industrial groups equipped with new technologies in line with the principle of developing the export-oriented economy. According to the plan for developing the Huanghe-Huaihe-Haihe plain, a good job should be done in carrying out technical development and demonstrating and popularizing the production of grains, cash crops, freshwater fishery, and livestock. In enforcing the "spark plan," we should concentrate on upgrading the standard, enlarging effects, and successfully building industrial groups, comprehensive technical development zones, and technical intensive zones. In enforcing the "torch plan," we should uphold the principle of having limited targets and giving priority to focal points and enhance the research and development of advanced technologies and the training of talented personnel. Attention should be paid to establishing or improving the system of scientific and technological popularization; consolidating or developing scientific and technological service networks at the county, township, and village levels; developing plant-run scientific research; launching the mass movement of technical renewal; and developing various scientific and technological units run by the people and bringing their role into full play in promoting production. Meanwhile, a good job should be

done in continuously conducting the pilot work of science and technology in 16 counties, county-level cities, and districts; in 6 towns and townships; and in 19 enterprises throughout the province. Efforts should be made to actively explore a new road for scientific and technological development. To accelerate the development of scientific and technological undertakings, we should adopt multiple channels to increase input. The province's financial arrangement for science and technology in 1989 shows a 14.3-percent increase over 1988, surpassing the increase scale of total expenses set by the financial budget.

Accelerating the development of educational undertakings and upgrading the quality of all nationalities represent an important strategic task. "Education is of fundamental importance in fulfilling our great long-range mission." We should place our work in developing educational undertakings on a most prominently strategic position. First, efforts should be made to put educational work truly into the important daily schedule of governments at all levels, to carry out discussion on the work, and to adopt decisions on relevant issues. The principal responsible comrades of governments at all levels should take personal charge of education. Provincial, city, prefectural, and county authorities should formulate or revise their plans for the development of education, put forward their targets and appropriate measures for development, and mobilize and organize all social forces to fulfill these targets and measures. Second, efforts should be made to implement the principle of developing in an all-round way—morally, intellectually, and physically. It is imperative to integrate the teaching of knowledge with personality training; to overcome the trend of one-sidedly seeking the rate of students who are able to enter higher schools; to earnestly consolidate teaching orders; to realistically enhance ideological and political work among the schools of various kinds; and to deeply conduct moral education so as to foster good morale among students in which they have "five cherishes," respect teachers and the aged, and abide by the law and discipline, as well as to train more new successors with the "four haves." Work in this regard represents responsibility not only assumed by schools but also by all of society. Everyone should show concern for the healthy growth of children and youths. Third, efforts should be made to increase as much as possible the investment in education. The province's educational expense arrangement for 1989 set by the provincial financial plan is 1.86 billion yuan, a 12.4-percent increase over 1988, surpassing the increase scale of total expenses set by the financial budget. The province may collect more than 400 million yuan of additional education revenue in both urban and rural areas this year. Beginning in 1989, additional fees collected from bringing institutional purchase of special commodities under control will be totally used for education undertakings. All social circles should give a helping hand in finance, materials, and manpower to the development of educational undertakings in line with the

voluntary principle. Fourth, we should adjust the structure and range of educational disciplines. The general demand is to intensify primary education, develop vocational education, optimize higher education, and rationalize adult education. We should step up efforts to eliminate illiteracy among young people and try our best to prevent the emergence of new illiterate persons. With regard to the 9-year compulsory education, we should establish and improve the various responsibility systems and make meticulous organizations for implementing it in order to ensure that the first group of counties, districts, townships, and towns carrying out the compulsory education attain their targets next year. We should put great importance on improving the contingent of teachers. On the one hand, we should place training of teachers ahead of other undertakings, exert conscientious efforts to make it successful, and continuously increase the resources of teachers; on the other, we should pay attention to the training of incumbent teachers. Fifth, we should deepen educational reform. We should continue to expand the experimentation of reform of the management systems of schools of various categories and at various levels; grant institutions of higher learning more autonomy in running schools; and reform the recruitment system and the graduate job arrangement system of colleges, universities, and secondary specialized schools and reform their curricula and teaching methods so as to cultivate more applicable personnel for the four modernizations. We should actively promote the association and cooperation of colleges, universities, and secondary specialized schools with production units and encourage them to conduct training of talented people, technology transfer, and paid technical consulting service. We should actively experiment with the "prairie plan" in education and make use of the intellectual resources and technological advantages the schools of various categories have in order to serve the development of the rural economy. This year 100 towns and townships will be selected as pilot units for the experimentation so as to gain experience and expand the work gradually.

The masses of scientific and technical personnel as well as educational workers in our province have made remarkable contributions to our economic development and social progress over the past year. Governments at various levels should commend their contributions; improve their working and living conditions; and further establish a good social practice of respecting knowledge, respecting talented people, respecting teachers, and stressing education. We should continue to implement the policies which encourage talented people to show their talents and support the rational flow of talented people. We should reward handsomely those who make outstanding contributions to teaching, scientific research, production, and other work. The masses of scientific and technical personnel as well as education workers should fully develop their wisdom and talents to

make even greater contributions to "developing Shandong through science and education" so that they will live up to the great expectations of the party and the people.

1. We should actively facilitate the progress in the socialist democracy and the legal system.

Stepping up efforts to improve democracy and the legal system is an important part of the endeavor to improve the socialist political system; it is a fundamental guarantee for accomplishing the four modernizations; and it is an urgent need in the current endeavor of improvement, rectification, and deepening of reform. Over the past few years, our province has achieved fairly great progress in improving democracy and the legal system; however, democracy and the legal system generally are not perfect enough, and the phenomena of replacing the law with one's words and power and refusing to abide by laws occur frequently. In the new year, we should adopt effective measures to improve democracy and the legal system more quickly and consolidate and develop the excellent situation of stability and unity.

First, governments at various levels should take the initiative in subjecting their work to the supervision of people's congresses and their standing committees. They should make frequent reports on their work to people's congresses and their standing committees, conscientiously implement the resolutions and rules and regulations approved and formulated by them, heed the criticisms and opinions of people's deputies with an open mind, and earnestly handle the various proposals and suggestions submitted by people's deputies to make sure that every one of them is concluded and answered.

Second, we should maintain close ties between people's governments and the CPPCC, democratic parties, and mass organizations. Governments should inform them often of their work, listen to their opinions and suggestions, and win their supervision and support. They should encourage the CPPCC, democratic parties, and mass organizations to participate in some important administrative and economic activities. Governments should conscientiously handle all proposals, criticisms, and suggestions submitted by CPPCC members.

Third, we should conduct extensive democratic consultation and dialogues and guide the masses to participate in and discuss government and political affairs. Governments at various levels should make their work more visible to the public, further publicize political activities, and have the people discuss major issues and understand major policy decisions. Leading comrades at various levels should get in touch with the masses often. Through equal dialogues, leading comrades should listen to the masses' voices, accept their reasonable suggestions and criticisms, and strive to improve the work. Meanwhile, we should gradually improve the masses' awareness of

participating in government and political affairs, have increasingly more people discuss political affairs, and truly let the masses play a role as the master of the country.

Fourth, we should administer the province according to law. Governments at various levels should gradually bring the management of political, economic, cultural, and social affairs into the orbit of the legal system. Currently, we should pay particular attention to relying on the law and rules to improve the economic environment, rectify economic order, and standardize various economic activities. We should formulate and improve rules for localities, strengthen the construction of the ranks of law executors, perfect a system to examine law enforcement, improve law enforcement, and support judicial organs to exercise their functions and powers according to law. We should conduct unremitting education on popularizing the knowledge of law and enhance the citizens' awareness of law so as to have each and every citizen study, know, and abide by law; exercise his rights according to law; participate in social activities; and manage state affairs.

Fifth, we should realistically strengthen the overall improvement of public order. We should deal strict blows to various kinds of criminal offenders and economic criminals, resolutely ban various kinds of evil activities that poison social activities, and conscientiously check obscene goods and illegal publications. We should mobilize and organize all social forces; adopt measures to comprehensively improve social order; and apply legal, administrative, economic, media, and cultural means to fully eliminate various kinds of unstable factors. Persistently in line with the method of linking temporary improvement of public order with permanent improvement of public order, with the focus on permanent improvement, we should constantly give priority to improving the people's social morality and their awareness of the legal system. We should place work priorities on the urban and rural grassroots, attend to the basic work in a down-to-earth manner, and try every possible means to help the grassroots solve the contradictions that are in the embryonic stage. We should strengthen the construction of grassroots political powers and the masses' self-government organizations, pay particular attention to the construction of leading bodies, and bring into full play the masses' key role in comprehensively improving public order and promoting the spiritual and material civilizations. We should regard the situation in public order as an important part in appraising the political achievement of governments at various levels. Government leaders at various levels will fail to fulfill their obligations if the people in the areas under their jurisdiction do not feel safe because of bad public order. Those who seriously neglected their duties and refused to correct their mistakes immediately must be criticized and asked for explanations. They should even take the blame and resign.

Sixth, we should strengthen the construction of national defense. We should conduct extensive and profound

education on national defense; achieve militia reserve service; and build, develop, and use civil defense projects. We should further strengthen the unity between the Army and the government and between the Army and the people, vigorously launch the Army-civilian joint civility campaign, do a good job in supporting the Army and providing preferential treatment to the families of revolutionary martyrs, implement the policies on giving special care to disabled servicemen and families of revolutionary martyrs and servicemen, cultivate increasingly more talents competent for both Army and civilian jobs, and arrange jobs for demobilized army men and the soldiers transferred from army units.

J. We should strengthen the organizational construction of governments at various levels with the focus on maintaining their administrative honesty.

The work of improving the economic environment, rectifying economic order, and deepening reforms has set new higher demands on the organizational construction of governments at various levels. In line with the guidelines of the 13th party congress and the 3d Plenary Session of the 13th party Central Committee and with the focus on maintaining administrative honesty, governments at various levels should improve their functions and work style, persist in goals, do pioneering work, blaze new trails, deal with concrete matters relating to work, maintain administrative honesty, and build themselves into leading organs that the people have faith in.

Whether or not governments at all levels are authoritative, coherent, and attractive depends directly on their administrative honesty. The experiences of Tancheng and Changle prove that so long as leaders set an example of overcoming corrupt and unhealthy practices, make administrative affairs visible to the public, and encourage the masses to discuss political affairs, it will not be difficult to eliminate instances of corruption and unhealthy practices. During this new year, we should strive to effect a basic turn for the better in the administrative atmosphere by combining the adherence to principles with the establishment of systems, combining the leading role of leaders with the supervision by the masses, combining self-restraint with strict investigation and punishment, and combining the issuance of general calls with the popularization of typical experiences. We should conduct penetrating reeducation on the purpose of serving the people among all state functionaries. No matter how high their rank, all our cadres are the public servants of the people. Their only obligation is to serve the people; they do not have the power to seek personal gain. They must first do what they demand the masses to do and must not do what they ask the masses not to do. They should make administrative affairs visible to the public. In particular, for the much-debated issues about which the masses are concerned, such as the market situation, commodity prices, environmental protection, birth control, land management, and social order, cadres regularly should report to the masses what they have



done to solve problems in this respect, what problems remain, and what measures they will adopt to solve the remaining problems. At the same time, cadres should solicit opinions from the masses. As for the issues which are closely related to the personal interests of the masses, such as the change of rural residence registration to urban residence registration, recruitment of workers, promotions of cadres, entrance to schools of a high grade, housing distribution, profit retention, the supply of the means of production, and financial revenues and expenditures, governments must make them visible to the public whenever possible and accept the supervision from the masses. Governments should strengthen the building of various systems, such as the system concerning functions and duties of various government departments; the system of holding someone responsible for attaining given objects during his tenure; the system governing the award, punishment, appointment, and removal of cadres; the system concerning democratic appraisal; the various systems concerning examination and approval; the system governing meetings; the system governing receptions; and the system governing the handling of affairs. Those systems which have not yet been established and which have been imperfect should be established and perfected as quickly as possible. Governments should strictly handle administrative affairs, and draw a clear demarcation between awards and punishment. Those units and individuals advancing in maintaining administrative honesty should be vigorously commended. Those cadres with ideological shortcomings and defects should be criticized and educated. Those corrosive elements who refuse to enforce orders and prohibitions and who seriously violate laws and discipline should be severely punished with no leniency.

Ideological and political work has always been a major superiority of our party, as well as an important guarantee for carrying out revolution and construction. Under the new situation of carrying out reform and opening up and developing the commodity economy, it is extremely important in strengthening ideological and political work. Governments at all levels should conscientiously uphold the party's basic line, the four cardinal principles, the general principles of reform and openness, and the method of developing the socialist commodity economy with one hand and grasping ideological and political work with the other hand. We should foster the spiritual pillar of "realizing the four modernizations and revitalizing the Chinese nation" among the people throughout the province. We should foster a good spiritual atmosphere of loving the country and collectives, giving consideration to the overall situation, making contributions, working hard to make progress, and blazing new trails. We should carry forward a scientific, civilized, and healthy atmosphere in society. We should strengthen the building of the ranks of political workers, improve the quality of political workers, and positively explore new ways and new methods for strengthening ideological and political work under new situation. Trade unions, CYL committees, women's federations, and other mass organizations at all levels should concentrate their

energy on conducting vivid and multi-form ideological and political work and should unite, educate, and guide the vast number of the masses to make due contributions to reform with one heart and one mind. Continued efforts should be made to create still more civilized units and five—good families. We should promote the social moral practice of respecting the elderly, cherishing the young, supporting the weak, and helping the poor and pay attention to the problems concerning the old people and enable them "to have people to take care of them, to have entertainment, and to have something to do during their remaining years." All units, including literature, art, press, publication, radio, film production, and television units, and the broad masses of literary and art workers must handle properly the relations between economic results and social benefits, produce more healthy intellectual products which the people love to hear and watch with a high sense of social responsibility and good professional ethics, produce more quality spiritual food for the children in particular, and form powerful cultural and media forces to promote the building of the socialist material and spiritual civilizations.

To do a good job in building government organs, we should also rely on deepening the political structural reform. Beginning this year, we will gradually reform the structure of government organs. The focus of reform will be placed on changing functions; decentralizing powers; separating government functions from enterprise management; improving relations; and establishing a structurally rational, flexible, compact, and highly effective administrative management system. At the same time, we should promote a public service system among government organs stage by stage and group by group. All personnel joining government organs must be selected through examination and competition. Concerning these reforms, we must firmly conduct investigation and appraisal, formulate plans, and carry out experiments. The broad masses of cadres, particularly leading cadres at all levels, must withstand the test of the political structural reform; support, participate in, and serve reform with an active attitude; hold fast to our work posts; strictly observe discipline; perform our duties and responsibilities wholeheartedly; and guarantee the smooth progress of the political structural reform and various tasks.

Government leaders at all levels should strengthen their study and change their work style. In order to meet the needs of the new situation and tasks, we should conscientiously study basic Marxist theory; the party's line, principles, and policies and the new experiences; and acquire knowledge concerning reform, opening up, and construction. We should also strive to improve our own level of ideology, policymaking, and leadership and the ability to handle the overall work. In addition, we must be determined to reduce the number of meetings and documents, free ourselves from "numerous documents and meetings," and set aside more time to go deeply to the grass-roots levels to conduct investigation and study. We must pay attention to regularly studying the new

situation, analyzing new problems, and summarizing new experiences; strengthen specific guidance over various tasks; and firmly grasp the implementation of various policies and measures. It is necessary to promote the fine work style of seeking truth from facts, doing solid things, and seeking tangible results and prevent and overcome the unhealthy work style of subjectivism, bureaucracy, formalism, exaggeration, and cheating. Only by doing so can we enable government work at all levels to become more lively, effective, and promising.

Fellow deputies,

Challenges and opportunities as well as difficulties and hopes will coexist during this year. Whether we can successfully fulfill the various tasks for this year depends on whether the leaders at all levels have correct policy decisions, whether the broad masses of cadres have fully displayed their enthusiasm and creativity, and whether the entire province from the higher to the lower levels and from all social circles have exerted joint efforts and advanced in unity. Under the correct leadership of the CPC Central Committee, the State Council, and the provincial party committee, let us focus our work around the grand objective of "developing, building, and invigorating Shandong"; rally more closely together; promote the indomitable and unyielding fighting spirit and the spirit of mutual encouragement, development, and blazing new trails; greet the challenges with an attitude of being masters of the country; make good use of opportunities; advance despite difficulties; and greet the 40th anniversary of the country's founding with a new victory in our improvement and rectification work and in reform and construction.

#### Financial Report

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["Excerpts" of the "Report on Fulfillment of the Shandong Provincial 1988 Budget and on the Draft 1989 Budget" delivered by Guo Changcai, director of the Shandong Provincial Finance Office, at the second session of the seventh provincial People's Congress on 25 February 1989]

#### [Text] I. Fulfillment of the 1988 Budget

On the basis of a sustained development in the national economy and various social undertakings, fulfillment of the financial budget was good in 1988. Revenues exceeded the budgetary target and showed a substantial increase. Expenditures increased fairly greatly, thus ensuring the smooth progress of reform and meeting the needs in the development of various undertakings fairly successfully. It is expected that a balance with a slight surplus between revenues and expenditures in the same year could be achieved. In this way, we realized the goal put forward at the first session of the seventh provincial People's Congress.

Revenue totaled 9.015 billion yuan in 1988, equivalent to 115.61 percent of the budget and an increase of 23.84 percent over the preceding year. In terms of comparable standards, the increase was 18.21 percent. Excluding the revenue of Qingdao (the financial plan of which is directly listed in the state plan), the revenue totaled 7.125 billion yuan, equivalent to 119.3 percent of the budget and an increase of 26.77 percent over the preceding year. Of this, industrial and commercial taxes amounted to 111.11 percent of the budget, and showed an increase of 20.89 percent; enterprise income (after off-setting the deficits) amounted to 190.06 percent of the budget, and showed an increase of 45.97 percent; agricultural taxes amounted to 105.09 percent of the budget, and showed an increase of 0.43 percent; pollution discharge fees showed an increase of 29.50 percent; and urban water resource fees showed an increase of 31.67 percent.

Expenditures for 1988 totaled 9.371 billion yuan, an increase of 24.58 percent over the preceding year. Including the funds transferred from the preceding year for continued use in the next year, the total expenditures were equivalent to 99.36 percent of the budget. Excluding Qingdao's expenditures, the year's expenditures were 8.432 billion yuan, an increase of 23.12 percent. Of this, the expenditure for capital construction rose by 16.29 percent; funds for enterprises to tap potential and carry out technical transformation increased by 31.91 percent; the expenditures for maintenance of urban construction increased by 24.86 percent; expenditures for environmental protection increased by 54.51 percent; expenditures to support rural production and funds for various agricultural undertakings increased by 36.04 percent; funds for cultural, educational, and health undertakings increased by 27.28 percent, of which education funds increased by 30.26 percent; funds for three scientific and technological purposes and funds for scientific undertakings increased by 27.78 percent; pensions for the disabled or for the families of the deceased and social relief funds increased by 8.69 percent; administrative funds increased by 18.51 percent; the expenditures by public security, procuratorial, and judicial organs increase by 53.94 percent; and the subsidies for the prices of grain, oil, coal, meat, and vegetables increased by 6.39 percent.

On the basis of substantial increases in revenues and expenditures in 1988, financial departments at various levels actively supported reform and opening up and the development of key undertakings, thus achieving notable results.

—They supported enterprise reform to increase the vitality and reserve strength of enterprises. After the state and the enterprises enforced a system of contracted management responsibility in 1987, contracts and the management mechanism within enterprises were further improved last year, thus enabling enterprises to increase both their production and their income. The 1,695 budgetary local state industrial enterprises enforcing the contract system throughout

the province realized a profit of 3.02 billion yuan over the entire year, showing an increase of 35.17 percent over the preceding year. Of the total profit, 715 million yuan was turned over to financial departments, registering a 10.60-percent increase; 1.002 billion yuan was retained by enterprises for their own use, a 24.84-percent increase; and 1.051 billion yuan was used to repay loans for capital construction and technical transformation measures, a 54.18-percent increase. In addition, more than 700 million yuan in tax reductions and exemptions was granted to enterprises which had difficulties, thus supporting the development of the production of enterprises.

—They strived to increase agricultural input to support the development and construction of agriculture. Last year's budgetary expenses used in support of rural production grew by 54.98 percent. Of that, subsidies allocated by various quarters for the construction of small farmland irrigation works came to 140 million yuan, showing a 32.8-percent increase over 1980. Meanwhile, in coordination with the restructuring of the rural economy and the development of agricultural resources, special funds were arranged to actively support construction of the bases for production of various farm and sideline products and commodities, to support the comprehensive agricultural development of the Huang He-Huai He-Hai He plain as well as the development of shallow seas and beaches, the Huang He delta, mountainous areas, and areas around reservoirs and lakes in order to support the development of rural enterprises and diverse undertakings, to support the establishment of experimental areas for second step of the rural reform, and to help the peasants in the 15 impoverished counties and other economically underdeveloped areas eliminate poverty and achieve affluence. The funds allocated by financial departments at various levels for these purposes exceeded 400 million yuan last year. This played a positive role in improving agricultural production conditions, promoting the rural commodity economy, and raising the peasants' standard of living.

—Implementing the principle of "developing Shandong through science and technology," they supported the development of education and scientific and technological undertakings. When working out the budget earlier last year, the strategic focuses of education and science and technology were emphasized and arrangements for their input were made accordingly. In the process of carrying out the budget, efforts were made to increase the input into these areas in line with the needs of their development. For instance, 20 million yuan of the provincial governor funds was set aside for use in developing science and technology and higher education. According to year-end budget calculations, the growth in the funds for education and science and technology was much greater than the growth in total expenditures. The province further improved the teaching conditions of schools of various categories and scored a number of significant scientific and technological achievements.

—They supported financially subsidized counties in developing their economies and changing their outlook. Substantial progress was made last year in helping financially subsidized counties carry out economic development with the subsidies allocated in advance and achieve financial self-reliance. The total subsidies allocated in advance to the 37 counties and districts which were supported emphatically came to 168 million yuan. This, plus the 494 million yuan from other sources, supported 945 production and technical transformation projects, thus promoting and leading the development of production and various undertakings and expanding the economic strength of these counties. In 1988 these counties registered a 43.69-percent increase in their industrial output value over the preceding year and a 34.74-percent increase in revenue, both surpassing the provincial average. By the end of last year, seven counties had achieved financial self-reliance or greatly narrowed the difference between revenues and expenditures.

—They support price and wage reforms to enable urban dwellers to improve their standard of living. Thanks to the contract responsibility system, the wages of industrial and commercial enterprises were linked to their economic performance. The income of urban dwellers rose substantially because nonstaple food price subsidies and more bonuses were issued to staff members and workers of state organs and institutions, wages of primary and middle school teachers were raised, the system of specialized technical job designation was enforced at institutions, and wages of middle-grade specialized technical personnel were adjusted. In 1988 the total wages of staff members and workers throughout the province rose by 30.6 percent over the preceding year. In addition, while issuing nonstaple food price subsidies to staff members and workers in order to stabilize market prices and ensure the supply of goods needed in everyday lives of urban dwellers, subsidies issued by financial departments for purchases of grain and oil as well as meat, eggs, and vegetables showed an increase of more than 100 million yuan over the preceding year. Such policy measures guaranteed the improvement of most people's standard of living under the circumstances of substantial price rises. Funds allocated by financial departments last year for the maintenance of urban construction, environmental protection, and improvement of urban water resources showed a fairly great increase; and urban communications conditions, public welfare facilities, pollution treatment, and housing for staff members and workers were also improved.

Last year, some difficulties and problems also existed in our province's finance in the process of progress. Substantial increases in revenue and expenditures were a comprehensive reflection of the development of the national economy, which also included such factors as an overheated economy, inordinately feverish demand, and price increases. This required strengthened regulation and control of the macroeconomy and restructuring of



revenues and expenditures to make them rational. In addition, because of many new factors for increasing expenditures, some counties, particularly those having poor industrial foundations, failed to achieve great improvement in their financial difficulties despite their substantially increased revenues. Financial departments at various levels also had some left-over problems of varying degrees that had yet to be solved. That some enterprises' economic results were not ideal enough was attributed not only to the objective economic situation and policy changes but also to problems in management. Some chaotic phenomena still existed in the field of financial economic management and distribution. Because of imperfect financial and tax laws and systems, ineffective management and supervision, and lax financial and economic discipline, losses of revenue and waste of expenditure were rather serious in some localities. All of these problems should be conscientiously solved in the process of improvement and rectification.

## II. Draft Budget for 1989

The guiding ideas for the 1989 financial work and the principles for arranging the budget are to adjust the distribution structure, to check the inordinately feverish demand, to pay close attention to economic results, to increase effective supplies, to rectify the financial and tax order, and to persistently achieve a balance between revenues and expenditures.

The province's budgetary revenue for 1989 is arranged at 9.688 billion yuan, an increase of 7.5 percent over the preceding year. Excluding Qingdao's budgetary revenue, it is 7.695 billion yuan, an increase of 8 percent, which is basically compatible with the planned growth rate of industrial production. Of the budgetary revenue, excluding that of Qingdao, industrial and commercial taxes will increase by 12.16 percent; enterprise income will decline by 31.95 percent because consideration has been given to the influence created by the increases of grain purchasing prices and bank interest rates, the increases of the prices of some raw materials, and the price ceilings imposed on some products; agricultural taxes will increase by 10.61 percent because the grain purchasing price has increased and the tax will increase accordingly; and the tax levied for use of farmland to be shared by local authorities will increase by 34.94 percent.

The province's budgetary expenditures for 1989 are arranged at 10.652 billion yuan. Excluding Qingdao's budgetary expenditures, they are 9.615 billion yuan, of which 7.374 billion yuan will be allocated from this year's revenues, showing an increase of 9.00 percent over the preceding year. The increase will be used primarily for expenses caused by policy reasons; expenses for wages of personnel; and the increase in agricultural, educational, scientific, and technological input. Major items of the expenditure are arranged as follows: Capital construction expenses and those allocated from the energy, communication, and key construction funds shared by the province will remain the same as last year;

funds for enterprises to tap potential and carry out technical transformation will increase by 6 percent over last year; expenses in support of rural production and funds for various agricultural undertakings will increase by 44.55 percent; urban construction maintenance funds will increase by 6 percent; subsidies for environmental protection will increase by 9.47 percent; expenses for the improvement of urban water resources will increase by 6 percent; funds for three scientific and technological purposes and for scientific undertakings will increase by 12 percent; pensions for the disabled or for the families of the deceased and social relief funds will increase by 6 percent; administrative funds will increase by 6 percent; expenses by public security, procuratorial, and judicial organs will increase by 6 percent; various price subsidies will increase by 5 percent; and the provincial governor funds will be 30 million yuan and reserve funds 100 million yuan, of which 50 million yuan belongs to the province and 50 million yuan belongs to cities and prefectures.

The aforementioned is a guiding framework for the overall provincial budget. In line with the financial system of each holding its own responsibility, financial departments at various levels may follow the principle of financial retrenchment, keeping the expenditures within the limits of revenues, and achieving a balance between revenues and expenditures to work out specific arrangements for themselves. Consideration should be given to all items of expenditure, and key areas should be ensured. Newly added financial resources this year should be used first for reform and the wages for necessary personnel, and input into agriculture, education, and science and technology should be increased as much as possible. Expenses in other areas should be carried out according to our capacity to ensure key areas and reduce others.

Several issues concerning the arrangements for this year's budget are explained as follows:

A. The budgetary revenue does not cover the deficits of foreign trade enterprises; this is because, since foreign trade enterprises were put under the administration of local authorities last year, the provincial government has decided after study to assign foreign trade enterprises to be held directly responsible for the deficits approved and allocated by the central authorities. Foreign trade enterprises will be able to retain the surplus profits for their own use, but will receive no subsidies for their deficits. Because there are many very unstable factors that affect the increase or decrease of these enterprises' deficits, the provincial government has conducted study on several occasions and is actively seeking a way to reduce the deficits.

B. The party Central Committee, the State Council, and the provincial party committee and government all attach great importance to increasing the input of funds into agriculture; and at the national and provincial rural work conferences, a series of measures for increasing

agricultural input were studied and put forward. In addition to the substantial increases in the expenses in support of rural production and the funds for various agricultural undertakings, which are covered by the budget, the provincial government also decides to establish the system of agricultural development fund beginning this year, which includes four supplementary measures formulated by the province in addition to the seven measures worked out by the state. According to rough calculations, more than 400 million yuan can be collected each year. Funds that can be put into agriculture also include various kinds of circulating funds in support of agriculture that are accumulated by financial departments at various levels, various kinds of agricultural loans, and World Bank loans. In short, there are fairly extensive resources and channels for funds that are used to increase agricultural input, and therefore measures should be adopted actively to collect the funds that should be collected, use them in a rational manner, and conscientiously strengthen management over them.

C. In line with central instructions and the requirement for "developing Shandong through science and technology," funds for education and science and technology are regarded as focuses of this year's budget and arrangements are made accordingly for them. Their growth rates are higher than those of budgetary revenues and expenditures. In addition, more than 400 million yuan of additional urban and rural education funds will be collected each year. According to the stipulations of the State Council, beginning this year additional funds will be collected from institutions for their purchases of special-control commodities year. The provincial government decides to use all income from this source for education. However, funds alone are not enough to increase the intellectual investment. We should also mobilize forces from various social quarters to successfully develop education together. In addition to increasing the expenses for science and technology, we should continue to adopt encouraging policy measures to relax the control over and invigorate the management of scientific research institutes and scientific and technical personnel, accelerate the reimbursed transfer of scientific and technological achievements, and promote the development of science and technology.

D. Based on our specific situation, our province has made budgetary arrangements for the various measures for increasing revenues and reducing expenditures, such as collecting budget regulatory funds, extrabudgetary funds, and opening new tax categories. These arrangements are to be adopted according to the decision of the State Council in line with the needs in improving and rectifying the economy, and for the funds needed by these measures.

E. In this year's budget, the provincial governor funds are arranged at 30 million yuan continuously, which will be used mainly in the developmental projects concerning agriculture, education, and science and technology and

in the major measures decided by the provincial government. This part of the funds should be used as loans and be repaid so that they can circulate. In this way, some special needs of key undertakings can be met and financial resources can be accumulated in a planned manner to expand our province's reserve financial strength.

### III. Strive To Successfully Fulfill the 1989 Budget

A. We should carry out an in-depth campaign to increase production, practice economy, increase revenues, and reduce expenditures, with the focus on improving economic results. In line with the requirement for improvement and rectification, we should support adjustments to the production setup, product mix, and enterprise structure; conscientiously implement the enterprise law; strive to improve enterprise management; strengthen economic accounting; earnestly learn from and popularize the advanced management experiences of the full-load method of operation and in-plant banks; exert more efforts to improve quality, tap potential, and reduce consumption at enterprises; and conscientiously make a success of the work to stop deficits and increase profits. This year it is required that state industrial and communication enterprises reduce by 2 percent their consumption of raw materials, energy resources, and other materials; that enterprises reduce by 10 percent the ratio of their management funds and the changeable part of their workshop funds to their output value and reduce their deficits by 25 percent; that commercial enterprises reduce their expenses on circulation by 1 percent and their deficits by 20 percent; and that grain enterprises reduce their changeable funds by 3 percent. These targets should be assigned to enterprises in line with their trades and products, and the system of responsibility for profits and losses and a strict system of management by objective should be enforced to ensure that targets are fulfilled. With regard to grain enterprises, the method of unified calculation of profits and losses and the contracted responsibility system should be adopted to encourage them to improve management and reduce financial subsidies. With regard to foreign trade enterprises, we should continue the method of contracted responsibility to encourage them to further strengthen management, improve economic results, and reduce losses. All trades and professions should greatly carry forward the fine tradition of plain living, arduous struggle, and building the country through thrift and hard work. They should practice economy, oppose waste, and adopt economic, legal, and administrative means to deal sternly with serious extravagance and waste.

B. We should further deepen and improve enterprise reform, increase enterprise vigor, and safeguard state interests. We should continue to improve the contracted management responsibility system; successfully reform the distribution system within enterprises; widely apply the various forms of the method of floating the total payroll according to economic performance; conscientiously enforce the provisional regulations on the contracted management responsibility system; persist in the

contract system; safeguard the sanctity of contracts; and correctly handle the relations among the interests of the state, the collective, and the workers. We should correctly handle the relationship between accumulation and consumption. Factors that make enterprises reduce their income this year, such as a wage adjustment, an increased interest rate, and an opening of new tax categories, should be absorbed by enterprises themselves, and in general, their contracted base quotas will not be changed. The increase in income of enterprises due to normal price increases should go to the enterprises themselves, and in general, their contracted base quotas will not be changed. The small number of enterprises that truly have difficulty in absorbing the profit-reducing factors or which are greatly affected by price increases or those where the contracted base quotas would become irrational if they were not adjusted should be regarded as special cases and handled accordingly. All contracted enterprises should be responsible for both profits and losses. Those that fail to meet the profit quotas should make up for them with their own funds to ensure that profit delivery tasks are fulfilled. They should not increase their vigor through such practices as reducing taxes, keeping a bigger share of the profits, or reducing the state revenue. Selected state enterprises should experiment with the stockholding system steadily in line with state stipulations. The province, cities (prefectures), as well counties and cities [shi] where enterprises are fairly concentrated should gradually establish organs to manage state fixed assets and actively assess the fixed assets of state enterprises and the management of their property rights and income so as to improve the system for management of the state fixed assets.

C. We should rectify financial and tax order and strictly enforce financial and economic discipline. Approval for an unjustifiable reduction of revenue and increase of expenditure, unauthorized tax reductions and exemptions, and withholding of the profits that should be turned over to higher authorities should be conscientiously corrected. With regard to localities and units that withhold state revenue in defiance of state interest and discipline, we should resolutely recover the amount of revenue they withheld, turn it over to treasury, impose economic sanctions on them according to the State Council's "provisional regulations on punishment for violation of financial laws and regulations," and pursue their liabilities according to administrative discipline and laws. We should continue to cut back and straighten out companies and, in line with the stipulations of the State Council and the provincial government, disband those which should be disbanded and recall the funds of theirs that should be recalled and their income that should be turned over to financial departments. Companies which have obtained approval for continued operation should pay taxes and profits according to law, and special preferential tax reductions and exemption granted them should be canceled. We should continue to sort out and reduce the investment in fixed assets, refuse to render any financial support to construction projects that should be suspended or postponed or for products

whose production should be banned or controlled according to decisions of the State Council and the provincial government. We should strictly enforce the financial system and the system for management of monetary affairs, control the inordinately large increase in consumption funds, resolutely check the arbitrary issuance of subsidies and bonuses, in cash or in kind, and eliminate the unhealthy phenomena of giving parties and gifts and touring with public funds. We should further improve the legal system for finance and the economy; intensify propaganda and education on the legal system; conscientiously enforce financial and tax rules and regulations, such as the accounting law, the regulations on management of the cost of state enterprises, and various tax regulations; strengthen financial management and supervision; rectify financial and tax order; and ensure that laws already enacted are observed and that violators are brought to justice in order to change the situation of lax discipline. We should continue to successfully carry out the large-scale tax, financial, and price inspections and the large-scale law enforcement inspections and give full play to their role in the endeavor of improvement and rectification.

D. We should strengthen tax collection and management to ensure that a full amount of state revenue is turned over to the treasury in a timely manner. The State Council issued three documents one after another recently on rectifying order in tax collection and strengthening tax management. All levels and departments should conscientiously carry them out. We should persist in the centralization of tax rights and strengthen tax collection and management. We should conscientiously sort out tax reductions and exemptions and resolutely correct those reductions and exemptions that were approved in violation of the tax law or by overstepping one's authority. Tax reductions and exemptions that are deemed necessary by local authority should be reported to authoritative organs for approval. Tax reductions and exemptions that are granted by authoritative organs but which are deemed improper should be stopped. Proper tax reduction and exemption should also be stopped immediately upon their expiration. This year we should emphatically check and straighten out the tax payment of township enterprises as well as of private and individual industrial and commercial households. We should conscientiously organize the collection of revenue and collect all revenue in a timely manner in accordance with policies after production is developed and sales increase. We should further improve such tax collection and management systems as tax payment registration, tax payment assessment, tax payment reports, and tax payment guidance. In line with the authority and the compulsory means of execution granted to tax organs according to law, we should support tax personnel in their exercise of power and strictly investigate and handle according to law various kinds of tax evasion and refusal to pay taxes so as to strictly enforce tax payment discipline and prevent state revenues from being infringed upon. Since last year, the state has opened the stamp tax, urban land use tax, and special consumption tax and expanded the



scope and increased the ratio of taxes on special agricultural and forestry products. This represents an important measure for the state to adjust the distribution structure and carry out regulation and control of the macroeconomy. We should conscientiously organize their implementation. We should conduct extensive and in-depth propaganda on tax payment and create public opinion and common practice throughout society that consider paying taxes according to law glorious and tax evasion shameful. According to the stipulations of the state tax law, all units and individual that should pay taxes should report their production, operation, and income situation to tax organs and should voluntarily pay their taxes according to law to carry out their obligations and support state construction.

E. We should strictly control expenses and reduce institutional purchases when spending money. Financial departments at various levels should act according to their capacity, keep their various expenses within the limits of their financial resources, and achieve a balance. They should not work out a budget with deficits. Once their budgets are approved, they should spend money strictly according to their budgets and should not exceed the budgets so as to safeguard the sanctity of the budgets. In principle, financial departments at and below the city and prefectural level will no longer make arrangements for the capital construction investment raised by localities themselves. Localities, departments, and units should keep their administrative funds within their assigned quotas, and if quotas are exceeded at the end of year, the above-quota portion will be deducted from the administrative funds for the next year. We should continue to control institutional purchases strictly and tightly, and the target of reduction by 20 percent should be attained at every level and must not be surpassed. According to state stipulations, the variety of special-control commodities has increased from 29 to 32. Township enterprises (including those run by villages) and urban neighborhood enterprises having more than 200 staff members and workers should be included in the scope of direct control and managed accordingly. Additional fees should be collected from those which purchase special-control commodities. We should strictly enforce the discipline on controlling purchases. Any units and individuals if they are found to have violated the discipline will be dealt with sternly.

F. We should further strengthen county-level finances to stabilize the financial foundation. First, we should continue to implement and improve the revenue quota system, improve town and township finance, boost the enthusiasm of towns and townships for increasing revenues and reducing expenditures, and expand county and township financial strength. Second, we should support counties as much as possible with the increased portion of local revenue which results from the measures for adjusting financial resources adopted by the state. Third, subsidized counties whose expenditures exceed their revenues should be supported continuously on a priority basis. This year we should, on the one hand, consolidate and develop the

achievements of the 37 counties already supported and, on the other, allocate subsidies to them ahead of all other subsidized counties. Meanwhile, we should select some counties and coordinate with various quarters to support them in terms of policy, funds, and materials in a concentrated manner so that they can achieve a breakthrough in accelerating their economic development and change as soon as possible the situation in which their revenues cannot cover their expenditures.

G. We should extensively apply enterprise management to institutions to increase their vigor for self-development. Notable results have been achieved in this work. By the end of last year, except for universities, middle schools, and primary schools, 6,160 institutions throughout the province, accounting for 31 percent of the total, had applied enterprises management. Some of them have already achieved financial independence or have surplus income and others have become able to make up for their shortages of operational funds with their income. Their net income in 1988 totaled 285 million yuan. This played a great role in promoting their undertakings. This year we should popularize enterprise management and introduce the contracted management responsibility system at all institutions where conditions permit in order to arouse their initiative in carrying out development, increasing income, and reducing expenses. We should encourage them, on the premise that their work plans are fulfilled, to fully use their existing personnel, equipment, and technological conditions in order to expand the field of service, develop diverse undertakings, increase income through rational means in line with policies, strive to raise their level of financial self-reliance, and blaze a road of supporting and developing their undertakings with the funds earned from their own undertakings.

H. We should strengthen management of extrabudgetary funds and develop financial credit in an active and stable manner. Extrabudgetary funds have increased substantially with the in-depth development of the economic structural reform. Distributed to thousands of families, this part of the funds is earmarked for definite purposes, but are more flexible. Therefore, we should strengthen management and exercise macro-regulation and control to guide the funds to where they are most needed. Some units currently are using too much of their extrabudgetary funds to invest in fixed assets or issue bonuses. This is detrimental to our efforts to control the scope of investment in fixed assets and the growth of consumption funds. The accounting system and the system of budget and final accounts should be established and improved to manage extrabudgetary funds. We should strengthen management and supervision of extrabudgetary funds; use them in a rational way according to the defined purposes; and refrain from using them to issue bonuses and materials arbitrarily, build office buildings, auditoriums and hotels, and increase the number of organs and personnel without approval. We should develop financial credit in an active and stable manner.

The method of investment with and without repayment should be adopted at the same time as financial departments allocate funds for production and construction projects. Investment in projects that can yield direct economic results to repay the investment should be repaid so that the funds can circulate and be used in more projects and so that financial capacity can be expanded continuously to support production more successfully.

1. We should improve the contingent of financial and tax personnel and keep them clean, honest, and diligent in their official duties. Financial and tax departments at various levels should enforce the series of regulations worked out by the central authorities and the provincial party committee and government for remaining clean and honest, strictly abide by the professional ethics for financial and tax cadres and the regulations for remaining clean, honest, and diligent in official duties, correctly use the power entrusted by the masses to serve the masses wholeheartedly, and ensure that they abide by laws and discipline and not pervert justice for bribes. They should carry out their duties honestly and not abuse power for selfish gains; and maintain plain living and arduous struggle and not engage in extravagance and waste. Financial and tax organs at and above the county level should change their functions and conduct more investigations and study to serve the grass-roots levels. Financial and tax departments at various levels should establish an open work system, manage money matters democratically, open their financial and monetary systems, fund management methods, and work procedures and work results to public scrutiny, and make their work more visible so as to provide more convenience for various quarters to participate in and discuss their affairs and for the masses and supervisory and auditing departments to exercise supervision over financial and tax work.

2. We should coordinate with various quarters and start out work early to ensure that the budget is fulfilled. Financial tasks are very heavy this year. Under the leadership of party committees and governments, various fields should coordinate closely to carry out their work meticulously, successfully, and in a down-to-earth manner. We should continue to pay early, frequent, and close attention to increasing revenue, reducing expenditures, and achieving a financial balance; regularly analyze and study the fulfillment of the budget; and solve emerging problems in a timely manner so that the efforts of various fields can be mobilized to ensure that this year's budget is fulfilled successfully.

#### 1989 Economic Development Plan

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["Excerpts" of "Report on the Shandong 1989 Draft Plan for National Economic and Social Development" delivered by Wang Yuyan, director of the Shandong Provincial Planning Commission, at the second session of the seventh provincial people's congress on 25 February 1989]

#### [Text] 1. Fulfillment of the 1988 Plan

In 1988, in line with the province's national economic and social development plan adopted at the first session of the seventh provincial People's Congress, the provincial government conscientiously implemented the guidelines of the 13th party congress, upheld the party's basic line, adhered to the principle of reform and opening up, and adopted active and effective policy measures to conscientiously organize and implement the 1988 plan, thus scoring new achievements in economic construction and other social undertakings. According to initial calculation, GNP reached 76 billion yuan, equivalent to 112.4 percent of the plan and showing a 17.2-percent increase over the preceding year; the national income totaled 68 billion yuan, equivalent to 114.9 percent of the plan and showing 17.6-percent increase over the preceding year; total industrial and agricultural output value was 150.3 billion yuan, equivalent to 118.9 percent of the plan and showing a 26.1-percent increase over the preceding year; and the volume of commodity retail sales was 49.09 billion yuan, equivalent to 118.3 percent of the plan and showing a 31-percent increase over the preceding year. The entire economic situation was good.

A. A fairly good harvest was reaped in agriculture, and new progress was made in the rural economy. In the past year, a year of numerous disasters, the people throughout the province persistently combated disasters to reap a good harvest, thus reducing the losses incurred by the disasters and reaping a fairly good harvest. The annual agricultural output value totaled 30.96 billion yuan, equivalent to 102.5 percent of the plan and showing a 3.4-percent growth over the preceding year. Grain output reached 32.25 million tons, reaching the planned quota; cotton output was 1.137 million tons, equivalent to 103.4 percent of the plan; peanut output was 1.947 million tons, equivalent to 77.9 percent of the plan; fruit output reached 2.643 million tons, 112.5 percent of the plan; meat output totaled 1.715 million tons, 134 percent of the plan, and the output of aquatic products was 1.356 million tons, 135.6 percent of the plan. The output value of the rural industries, construction, transportation, and commerce reached 70.48 billion yuan, a 54-percent increase over the preceding year. The living standards of peasants showed new improvement on the basis of developed production.

B. Industrial production grew in a sustained manner, and the economic results were good. The annual industrial output value reached 119.37 billion yuan, equivalent to 124.1 percent of the plan, and showing a 33.8-percent growth over the preceding year. Raw coal output totaled 55.165 million tons, exceeding the plan by 3.715 million tons; electricity output was 37.82 billion kilowatt hours, exceeding the plan by 1.62 billion kilowatt hours; and crude oil output was 33.303 million tons, equivalent to 99.4 percent of the plan. The production plans for such important raw materials as rolled steel, soda ash and crude salt were also overfulfilled. The production of light industrial products and agriculture-oriented goods, which were scarce in markets, also showed a substantial increase. The quality and economic results of most

products were improved. The per-capita labor productivity reached 20,909 yuan, rising by 13.5 percent over the preceding year. The sales income of the budgetary industrial enterprises throughout the province showed a 34.1-percent increase over the preceding year, their profits and taxes showed a 33.1-percent increase, and the turnover of their circulating funds was shortened by 13.9 days.

C. The scope of the investment in fixed assets grew continuously, and a group of new production capacities took shape. Last year, the work to prune the projects under construction was carried out throughout the province, and a number of projects were suspended or postponed, thus initially checking the trend of increase in fixed asset investment that had lasted for many years. The total fixed asset investment of society reached 36.29 billion yuan, a growth of 21.9 percent over the preceding year. The growth rate was 11.6 percentage point lower than the growth rate of 33.5 percent as registered in the preceding year. Thanks to implementation of the plans for capital construction and technical transformation, a group of new production capacities took shape, a number of new products were developed, and the production and technological levels of enterprises were improved. This increased the strength for sustained industrial production.

D. We conscientiously organized implementation of the strategy for the economic development of coastal areas and reformed the foreign trade system, thus promoting foreign economic relations and trade. Last year, the province's exports totaled \$2.98 billion, remaining the same as in the preceding year. Of the total, the commodity export managed independently by localities under contract totaled \$1.93 billion, equivalent to 138 percent of the state contracted plan and a 16.2-percent increase over the preceding year. In foreign capital utilization, the province gave approval to 202 foreign-invested enterprises last year, making the total number of such enterprises reach 329; newly approved 195 projects concerning processing and assembling with materials and specifications provided by foreign firms, and compensation trade, and signed 457 foreign capital utilization contracts involving \$590 million, a 38-percent increase over the preceding year. Foreign exchange earned from sources other than trade, such as contracted construction for foreign countries, labor service export and tourism, also showed new growth.

E. A balance was achieved in financial receipt and payment, and bank credit effectively supported economic development. The annual revenue reached 9.015 billion yuan, equivalent to 115.6 percent of the plan, and a 23.8-percent increase over the preceding year; the expenditure (including the central allocation to our province for special purposes) totaled 9.37 billion yuan, a 24.6-percent increase over the preceding year. The year saw a financial balance with some surplus. In monetary

work, we exerted great efforts to organize savings deposits, expanded savings, accelerated the turnover of funds, and tapped potential for funds, thus ensuring the implementation of the credit plan.

F. Initial results were achieved in carrying out the principle of "developing Shandong through science and technology." A total of 75,000 scientific and technical personnel entered the forefront of economic construction, more than 5,000 scientific and technical personnel were brought in from outside the province, and 1,786 significant scientific and technological achievements were scored, which marked the largest annual figure since the founding of the country. The students at ordinary schools of higher learning throughout the province totaled 101,300, 5,390 more than the preceding year; those at secondary vocational schools of various categories totaled 384,200, 38,200 more than the preceding year; and 75 to 95 percent of the graduates from regular and specialized colleges under the province were assigned to the units at and below the city and prefectural level. New progress was also achieved in sports, public health, culture, radio and television broadcast, press and publication, and other undertakings, thus promoting the socialist spiritual civilization.

The achievements in our province's national economic and social development in 1988 were a result of the conscientious efforts in implementing the party's basic line and in persistently conducting reform and opening up, a result of the arduous struggles of the people throughout the province and a result of the conscientious efforts of governments at various levels in organizing the implementation of the plan under the timely and effective supervision and support of people's congresses at various levels. However, problems we must not neglect also existed in the province's economic activities in 1988. Major ones were inflation and the inordinately large price hikes, and the weak foundation for agriculture and a new stagnation in grain, cotton and oil-bearing crop production. The former resulted from many years of precipitous large increase in total demand, the accumulation of the increases in fixed asset investment, and the chaos in the circulation field. The latter resulted from a lack of adequate importance attached to agriculture when arranging for and organizing the implementation of the plan in addition to serious natural disasters. Judging from the implementation of the plan, the reasons were as follows. First, industry grew too fast, and agriculture developed sluggishly. Shortages in the supplies of grain, cotton, oil-bearing crops and other farm and sideline products became increasingly incompatible with the ever growing needs in the entire national economic development and the people's lives. Second, the contradiction in the structure became increasingly conspicuous. In addition to the imbalance between agriculture and industry, the two major trades, the ordinary processing industry within the entire industry grew too fast, and the basic industries developed sluggishly, thus aggravating the shortages in energy resources, transport



facilities and raw materials, and preventing a considerable portion of the processing capacity from developing its role in a normal way. Third, the scale of fixed asset investment was extended. Last year, local fixed asset investment of the entire society exceeded the plan by 100 percent. This was an important reason for inflation and price rises, and exceeded the existing financial and material capacity. Fourth, consumption funds showed an inordinately large increase. Fifth, science and technology, education and other social undertakings, despite their fairly great development over the past few years, still failed to suit the needs in the national economic development. In essence, these were the problems we would encounter in the process of progress and development. Some of them were unavoidable in the process to develop the commodity economy, but others resulted from subjective as well as work reasons. We should learn a lesson from this, and conscientiously summarize these experiences and lessons. We should also adopt realistic and effective measures to solve them when we deepen reform and organize the implementation of the national economic and social development plan in 1989.

## 2. Major Tasks and Targets of the 1989 Plan

Based on the central principle of improving the economic environment, rectifying the economic order, and comprehensively deepening reform, the major tasks of this year's plan are to gradually cool down the overheated economy, to ensure that price rises are notably lower than last year's, and to reap a bumper harvest in agriculture. To guarantee the fulfillment of the aforementioned tasks, we should follow the following guiding principles when arranging the plan.

- We should resolutely reduce the precipitous large demand, implement a macroeconomic policy of retrenchment, and provide favorable conditions for checking inflation.
- We should maintain an appropriate economic growth rate and concentrate major efforts on adjusting the structure and improving economic results. Through the adjustment, we should truly optimize the disposition of the limited resources, remarkably improve the economic results, and truly increase effective supply.
- Based on the industrial policy, we should give priority to some trades in a proper manner to ensure key projects and the adjustment with concentrated efforts, and give priority of the supplies of our limited financial and material resources to agricultural production, the production of the commodities urgently needed in markets, the production of energy resources and undersupplied raw materials, the production of export commodities and to education.
- We should integrate the efforts to improve the economic environment and rectify the economic order with those to comprehensively deepen reform.

—We should look ahead and behind and pay attention to linking this year's work to the economic development of the next few years.

Based on the aforementioned guiding principles, the major targets of the 1989 national economic and social development plan are defined as the following:

- We should maintain an appropriate economic growth rate. The GNP should grow by 8 percent, reaching 82.1 billion yuan; the national income should grow by 7.5 percent, reaching 73.1 billion yuan; the industrial and agricultural output value should grow by 10.2 percent, reaching 165.7 billion yuan; the agricultural output value should grow by 3.5 percent, reaching 32 billion yuan; and the industrial output value should grow by 12 percent, reaching 133.7 billion yuan.
- We should scale down the investment in fixed assets and control the increase in demand. The plan demands that the investment be reduced by 6 billion yuan from the actual figure of last year and be arranged in a proper manner in line with the alignment of the state industrial policy. The investment pattern should be further improved, and the scope of credit value should be brought under the control of the state plan.
- We should increase income and expand supplies. The revenue is planned to increase by 7.5 percent, reaching 9.688 billion yuan. We should ensure market supplies by greatly increasing effective supply. The volume of commodity retail sales should increase by 18 percent, reaching 57.89 billion yuan.
- We should maintain a continuous growth in foreign export trade. We should strive to make the commodity export managed independently by localities under contract increase by 10 percent.
- We should stabilize market prices. We should see to it that the retail price rise index is notably lower than last year's through conscientiously controlling the demand, increasing supplies, and strengthening management.

## 3. Several Tasks We Should Grasp Well in Order To Fulfill the 1989 Plan

This year marks the 40th anniversary of the founding of the country and a crucial year for implementing the guidelines of the 3d plenary session of the 13th party Central Committee and the 5th provincial party congress, and for succeeding in improvement and rectification. Through arranging and implementing this year's plan, we should fully tap and utilize the tremendous potential and favorable conditions contained in the economy. We should adopt active and effective measures to check demands and expand supplies, overcome

the numerous difficulties in economic development, and maintain a stable economic growth. For this reason, we should grasp well the following tasks.

A. We should further reinforce agriculture and increase the supplies of farm and sideline products. We should adopt all possible means this year to reap a bumper harvest in agriculture, with the focus on increasing the production of grain, cotton, oil-bearing crops, meat, eggs, and vegetables. According to the plan, grain output should be 33 million tons, an increase of 750,000 tons over last year; cotton output should be 1.2 million tons, an increase of 63,000 tons; and peanut output should be 2.25 million tons, an increase of 303,000 tons. The output of meat, eggs, milk, vegetables, fruit, and aquatic products should all reach or exceed the previous best records.

To attain the aforementioned targets, we plan to adopt the following measures when making arrangements for the plan. First, we will give prominence to and make a success of grain production. We should strive to stabilize the planting acreage. The plan requires that grain areas be maintained at more than 65 percent of the total cultivated areas. Grain areas must not be used for developing cash crops and fruit trees. Use of cultivated land for nonagricultural purposes should be brought under strict control, and the use of land in excess of the planned amount for various construction projects should be strictly banned. While paying attention to grain production, we should greatly strengthen the production of cotton and oil-bearing crops. Second, we will guarantee the urban dwellers' vegetable baskets, and increase the supplies of such nonstaple foods as meat, eggs, and vegetables. According to the plan, meat output is arranged at 1.785 million tons, an increase of 71,000 tons over the preceding year; and the output of aquatic products at 1.4 million tons, an increase of 44,000 tons. In cities and industrial and mining areas, we should conscientiously develop "vegetable fields." Vegetable growing areas are planned to expand by 50,000 mu, and supplies of some special loans and chemical fertilizer will be arranged and linked to the output. The state price guidance should be abided by when supplying the goods to ensure supply stabilize vegetable prices. Third, we will increase input of funds, improve the production conditions, and increase the strength of agriculture for sustained development. The overall investment in fixed assets for this year should be reduced, but that in agriculture should be properly increased. According to the arrangements of the plan, the total sum of the investment in agricultural capital construction, the input of funds for agricultural development, and the agricultural development fund allocated from the provincial-level budget should be more than 30 percent of the total of last year. In financial expenditure, expenses in support of rural production, and the operational funds for various agricultural projects are arranged to increase by 44.36 percent over last year. In the utilization of local foreign exchange, the amount used in importing chemical fertilizer, pesticides, plastic sheets, and other materials for farm use will be increased by 14 percent over last

year. Meanwhile, corresponding policies should be further adopted to attract and encourage peasants to increase investment in agriculture. Fourth, peasants will be actively mobilized and organized, and labor force accumulation will be increased to engage in farmland capital construction on a large scale. At present, the focus should be placed on improving water supply. We should adhere to the principle of attaching equal importance to opening up resources and economizing on use to make our limited water resources yield greater results. Fifth, we will increase the production and supplies of means of agricultural production. Raw materials and energy resources needed in the production of chemical fertilizer should be supplied to it on a priority basis so as to increase the chemical fertilizer output by 80,000 tons over last year. With regard to the production of other means of agricultural production, such as pesticides, plastic sheets, and diesel oil, we should also pay close attention to it, organize for it meticulously, make a success of the supply, reduce the intermediate links, and stabilize the prices to protect the interests of peasants. Sixth, we will increase the input of science and technology into agriculture. We should stabilize and replenish the contingents of agricultural scientific and technical workers and attach importance to the role of nongovernment scientific and technological organizations and peasant technicians. We should conscientiously organize the work to popularize technology, with the focus on cultivating and popularizing fine strains, upgrading the technology for fertilizer application, improving the cultivation system, gradually popularizing the technology for dry farming and grain-conservation animal husbandry, and raising the level of agricultural production. Seventh, we will further carry out agricultural comprehensive development successfully to promote agricultural development in both quality and range. We should accelerate the development of the plain along Huang He, Huai He, and Hai He, and shallow beaches, and build agricultural commodity bases more successfully. In the entire agricultural development, we should develop business projects in line with the needs in the commodity economy, link the investment of funds to the output and economic results, use the funds with reimbursement, and recover them at regular intervals so that they can roll and increase their value.

We should continue to give correct guidance to and enthusiastically support township enterprises to promote their stable development. Fully developing their characteristic of flexible management, and in line with the needs in the state macro guidance and industrial policy, township enterprises should take the initiative in adjusting their production setup and product mix, expedite their technological progress, upgrade their quality, reduce their material consumption, and improve their economic results. Banks and credit cooperatives should render as much support as possible in terms of funds to the products compatible with the state industrial policy and conducive to increasing effective supply. The plan requires that the output value of rural industries reaches 57 billion yuan, a 20-percent growth over the previous

year. In view of the current imbalanced development in our province's township enterprises, we should adopt different measures for and give different guidance to different enterprises in line with their reality. All levels and all departments should enthusiastically support township enterprise development, take the initiative in helping them resolve difficulties, and provide them with services in the fields of planning, information, consultation, technology, and talented people.

B. We should adjust the industrial structure and improve the economic results. This year's plan defines a lower growth rate in industrial development than in last year, but the effective supply of commodities should be increased to ensure market supplies. To fulfill this task, the key is to restructure the industry and, through this, to control the growth rate, increase the supply, yield better economic results, and raise the level. This is the basic guiding principle and central task for organizing this year's industrial production. Based on the state industrial policy and market demands, we should adopt the principle of ensuring and developing some projects while curtailing others, and supporting the superior and eliminating the inferior to optimize the organization, and exert great efforts to improve management, raise technological level, reduce consumption, increase supply, and improve economic results, so that the industrial development of our province can be shifted from the dominance of quantitative expansion to the dominance of qualitative improvement, from the dominance of expansion through launching new projects to the dominance of expansion through tapping potential, and from the dominance of extensive management to the dominance of intensive management; can be brought to the track of a benign circle; and can realize the purpose of promoting restructuring through reform, achieving optimization through restructuring, and promoting development through optimization. A long period of hard work is needed to fulfill this task. We should work out overall plans and make a list to carry out the restructuring of group after group at different times. However, in this year and the next, we should concentrate efforts to carry out this work successfully and make it yield good results. The province has already organized forces to plan and organize for the fulfillment of this restructuring task. All localities and departments should also make realistic arrangements in line with the overall requirements and plan.

In line with the aforementioned requirements of restructuring and the current conspicuous contradictions in the economic development, the 1989 plan arranges the production of energy resources, raw materials and products needed in markets on a priority basis.

First, active efforts should be made to increase energy production. The plan requires that crude oil output reach 34.75 million tons, an increase of 1.45 million tons over last year; raw coal output reach 56.2 million tons, an increase of 1.03 million tons; and electricity output reach 40.7 billion kilowatt-hours, an increase of 2.9 billion

kilowatt-hours. In the distribution of energy resources, priority should be given to key production. Coal production should ensure power production, and vice versa. Coal and power production should ensure the production of chemical fertilizer and agriculture and ensure an increase of effective supply and the production of export commodities.

Second, active efforts should be made to increase the production of undersupplied raw materials. The output of rolled steel is planned at 1.5 million tons, an increase of 8.1 percent over last year; that of soda ash 717,000 tons, an increase of 100 percent, and that of crude salt 3.66 million tons, an increase of 60,000 tons. The output of other chemical industrial raw materials should also be increased substantially.

Third, active efforts should be made to increase the production of the goods urgently needed in markets. In the supplies of energy resources, raw materials, and foreign exchange, priority should be given to the production of daily consumer goods closely related to the people's lives and consumer durable scarce in markets so as to ensure market supply. The plan requires that the output value of light industry rise by 13.8 percent over last year. When arranging production, we should strive to arrange it in such a way that this target can be overfulfilled.

We should exert great efforts to strengthen the organization and management of communication and transportation to ensure, on a priority basis, the transportation of the coal needed in power production, the materials in support of agriculture, and export products. Meanwhile, we should expedite the development of telecommunications and strive to improve our province's telecommunications conditions at an early date.

We should further deepen the reform within enterprises, carry out the campaign to increase production, practice economy, increase revenues and reduce expenditures in an in-depth manner and on a long-term basis, strive to reduce material consumption, economize on expenses, accelerate the turnover of funds, and improve economic results to a new level. In the future, we should strengthen the plans for economic results, assign the plans to every level from higher levels downward, and inspect and assess the fulfillment of the plans at regular intervals. In this way, people's attention can be led to the improvement of economic results.

C. We should scale down the investment in fixed assets, and adjust the investment pattern to ensure key construction and technical transformation projects. We should follow the regulations of the State Council to prune the projects under construction successfully from the beginning through to the end. Meanwhile, following the order of the industrial policy defined by the state, we should adjust the investment pattern successfully and resolutely reduce extra-budgetary projects, ordinary processing projects, the projects for which fund supplies are



not guaranteed, which cannot yield good results, and which are not compatible with the requirements of the industrial policy, and such nonproductive projects as office buildings, auditoriums, and hotels. The provincial government has decided that no new office buildings, auditoriums, and hotels will be built in the next 3 years. Through reducing the aforementioned various types of construction projects, we should use our limited funds truly in the projects that should be ensured and those that should be built on a priority basis. First, we should ensure agricultural projects. Second, we should ensure the construction projects concerning energy resources, communications, telecommunications, and scarce raw materials. Third, we should ensure the foreign capital utilization projects concerning contracts signed with foreign countries, projects that put the supply of raw materials and the marketing of products on the world market, and those that involve large-scale import and export. Fourth, we should ensure educational, scientific, and technological projects. Fifth, we should ensure the increase of the products urgently needed in markets and the technical transformation projects aimed at improving the grade and level of products and reducing consumption and pollution. Concerning the aforementioned projects that should be ensured, we should first ensure adequate investment in those that can be completed and commissioned this year so that they can be put into operation on schedule, and then we should arrange continued projects. In principle, no new projects shall be started. We should continue to attach importance to and strengthen the work to support the economic development of poverty-stricken areas and give proper preferential treatment to the poverty-stricken areas and give proper preferential treatment to the poverty-stricken counties that rely on financial subsidies when making arrangements for construction projects.

Based on this year's investment focuses and the principles for arranging investment, the budgetary investment of the province will be used in agriculture, forestry, water conservancy, educational, family planning, and environment protection projects on a priority basis. The funds raised from all over the province to be used in key construction projects should be used mainly in energy, communications, and raw materials projects. The investment in technical transformation should be used mainly in the industrial projects in support of agriculture, projects aiming at earning foreign exchange through export and producing import substitutes, projects to develop new products, projects to upgrade product quality and to develop brand-name, fine-quality, special and undersupplied goods, and projects aimed at supporting poverty-stricken counties.

To bring the investment scope under strict control, we should further strengthen and improve the management of the plans for fixed asset investment. In line with the requirements of the State Council, all the fixed asset investment should be included in plans of various types this year and be managed accordingly. Investment in the capital construction and technical transformation of

state-owned units should be included in mandatory plans and managed accordingly. Investment in fixed assets of urban and rural collective units should be included in guidance plans and managed accordingly, and should be used largely in technical transformation.

D. We should further open to the outside world and maintain a stable growth in foreign export trade. The endeavor of improvement and rectification is a necessary adjustment in our country's economic development, and it will provide favorable environment and conditions for us to implement the strategy for the economic development of coastal areas. We should be resolute both in carrying out the endeavor of improvement and rectification and in implementing the strategy for the development of coastal areas. We should organically combine these two tasks and enable them to promote each other.

First, we should strive to increase foreign export trade. The plan arranges the total value of exports as \$3.097 billion, of which the commodity export managed independently by localities under contract totaled \$2.12 billion, an increase of 10 percent over last year. The province will adopt a series of measures for supporting foreign export trade to ensure that plans are carried out. Based on their contracted tasks, all cities and prefectures, departments and enterprises should conscientiously organize the supplies of export commodities, adopt reinforced measures for successful operation, and coordinate and cooperate closely with one another to ensure the fulfillment of export plans.

Second, we should do a better job in managing and using local foreign exchange. In the use of foreign exchange, we should adhere to the principle of keeping the expenses within the limits of income, and ensuring some projects while curtailing others. On the premise that foreign loans are repaid, the foreign exchange used in the imports of materials for farm use, materials needed in markets, and raw materials in short supply should be supplied on a priority basis, and that used in fixed asset investment, and overseas trips for the purposes other than trade should be reduced to guarantee a balance in the receipts and payments of foreign exchange of the year.

Third, we should use foreign capital actively and effectively. While scaling down the investment in fixed assets, we should ensure that the contracts on joint venture and cooperative projects already signed with foreign countries are fulfilled. Coastal areas in the eastern part of the province should seize the current favorable opportunity to continuously organize the implementation of the strategy for the economic development of coastal areas. They should actively develop the export supported by import, and the "three forms of import-processing and compensation trade:" attract foreign firms to establish more exclusively foreign-funded enterprises and more Chinese-foreign joint ventures and cooperative enterprises that utilize our original workshops and equipment as investment and that are grafted with foreign funds,

advanced technology, and managerial expertise; and strive to develop the export-oriented economy that truly relies on the world market in the supply of raw materials and the marketing of products, and that does not consume domestically undersupplied resources.

E. We should increase revenues to successfully achieve a balance of revenues and expenditures, control the scope of credit, and adjust the credit pattern. According to arrangements of the plan, the revenue should increase by 7.5 percent, but we should strive to surpass this target when carrying out practical work. While increasing the revenue, we should strictly control the expenditure. In line with the requirements for adjusting the structure and ensuring key projects, operational funds for scientific and technological projects and education, and funds in support of agriculture should grow at a rate higher than that of the expenses for other purposes. Expenses for other purposes should be paid in line with our capacity, and administrative expenses should be resolutely reduced.

The general demand on credit work is to bring the scope of credit and the circulation of currency under strict control, adjust the credit pattern, and rationalize the use of funds to meet the needs in production, construction, and circulation. Banks at various levels should actively expand the resources of credit funds and maintain a continuous and stable growth in the savings deposits of urban and rural people. The plan requires that the balance of the various types of bank savings total \$2.5 billion yuan, an increase of 7.03 billion yuan over last year, and that of the savings deposits of urban and rural people reach 39.65 billion yuan, an increase of 7 billion yuan. Banking departments at various levels should issue various types of loans in line with state plans. The balance of the various types of bank loans will reach 76 billion yuan, an increase of 9.01 billion yuan over last year.

F. We should strengthen management of materials, rectify the order of circulation, and organize supplies successfully. This year, the major materials to be distributed under plan should be kept at the same level as in last year, and the extra part needed in society should be regulated mainly by the market. In the distribution of major materials and commodities, we should meet the requirement for adjusting production setup, product mix, and investment pattern, and use the limited resources concentratedly in the key areas so that they can yield the greatest results. We should continue to improve the market for means of production, such as rolled steel and nonferrous metal, and rectify the order of material circulation. In the circulation of materials, we should continue to carry out the method of delivering large amounts directly to consumers and small amounts to the nearest supply units so as to reduce as many intermediate links as possible. The total amount of expenses needed in transferring the products produced by the province from producing plants to consumers should not be higher than the amount stipulated by price departments.

G. We should control the inordinately large increase in consumption demand, stabilize commodity prices, and strive to successfully arrange the people's lives. We should adopt strict measures to further reduce institutional purchases. We should improve the method of linking economic performance to wages and control the issuance of the wages linked to economic performance and bonuses. Meanwhile, we should strictly control the personal income other than wages and bonuses. We should strictly control the increase of the number of staff members and workers according to plan, sort out and dismiss extra-budgetary workers, and control the transformation from agricultural population to nonagricultural population. Urban areas should open up wide avenues for employment and develop collective and individual economies to provide employment opportunities to more people.

A stability in prices is the premise of a stability in the economy and the overall situation and is the central task of this year's endeavor of improvement and rectification. All our work should be geared to the need to attain the goal of making this year's price rises notably lower than last year's. We should also strictly enforce price discipline and strengthen market price management. Commodities whose prices are fixed by the state in a unified manner should be sold strictly at state-prescribed prices, and unjustifiable price increases, open or concealed, should be strictly banned. With regard to the means of production to which the "double-track" price system is applied, the prices of the extra-budgetary part should be kept within the state-prescribed price ceilings, and no localities, departments, or enterprises are permitted to violate this. Concerning the comparatively more important commodities whose prices have been deregulated, we should also exercise proper control and adopt the system of reporting price rises to higher authorities. Reasonable differences in the prices for different localities, between purchasing and marketing prices, and between wholesale and retail prices should be defined to prevent price rises in different localities, irrational long distance transport of goods for sales, and increase of prices at every level.

After developing the economy and stabilizing prices, we should enable the living standards of most urban and rural people to improve. Increases should be achieved in the per-capita net income of peasants and the wages of staff members and workers.

H. We should further develop science and technology, education, culture, public health, and other social undertakings. We should continue to resolutely implement the strategic principle of "developing Shandong through science and technology," firmly foster the guiding idea of relying on science and technology to revitalize the economy, continue to do a good job in the "two decontrol" and "two import" systems for science and technology to make scientific and technological development coordinate more closely with economic and social development, expedite the technological progress of traditional

industries, and raise the technological level of agriculture and township enterprises. In line with the aforementioned requirements and the arrangements for tackling scientific and technological difficulties made in the Seventh 5-Year Plan, we should complete a number of projects for tackling scientific and technological difficulties, popularize a number of new scientific and technological achievements, expand the areas in which the "spark plan" is implemented, strive to develop high- and new-technology, and carry out the projects included in the "torch" plan.

Education is an area we should emphatically strengthen in the process of improvement and rectification. Under the circumstances that the retrenchment policy is applied to many areas, the investment in the capital construction for education should grow by 8.4 percent, and the educational operation funds should grow by 12.4 percent. The structure of education should be properly adjusted. The number of students to be recruited by ordinary schools of higher learning will remain the same as in last year. The work focus of these schools should be to improve teaching conditions, adjust their disciplines, and improve their teaching quality. Ordinary middle schools and secondary specialized schools should recruit more students taking engineering courses. Secondary teacher training schools provided with necessary conditions should recruit more students to be trained to serve as teachers for preschool education. The number of students recruited by secondary specialized schools throughout the province will be 6.5 percent more than last year. In adult education, the focus should be shifted gradually to on-the-job training to enhance the work ability and improve the production skill of employees. In elementary education, we should persistently make the education universal and at the same time improve its quality, make meticulous arrangements for implementing the 9-year compulsory education, and ensure that the first group of counties and districts, and towns and townships that implement the 9-year compulsory education attain their targets by 1990. We should continue the work to eliminate illiteracy. Particularly in the vast rural areas, we should regard elimination of illiteracy among young people as a major task for improving the quality of labor forces and carry it out persistently to achieve good results.

We should strictly control population growth. We should exert conscientious efforts to carry out family-planning work, continue to greatly advocate late marriage and late childbirth, resolutely stabilize and implement the current child-bearing policy, promote healthy birth and sound upbringing, carry out birth-control measures, and strictly prohibit unplanned births. The year-end population of the province should be kept within 81.51 million, and the population natural growth within 11 per 1,000.

We should pay attention to environmental protection. We should adhere to the principle of planning for, carrying out, and developing economic construction, urban and rural construction, and environmental

improvement simultaneously, actively improve the environment comprehensively, prevent the expansion of environmental pollution and ecological damage, improve the people's living standards and labor environment, and facilitate the development of economic construction and social undertakings.

Based on need and capability, culture, press, publication, radio and television broadcast, sports, public health, and other social undertakings should be developed actively and steadily so that they can make contributions to the building of the socialist spiritual civilization.

To fulfill this year's plan smoothly, we should further strengthen and improve the macroeconomic management. In line with the requirements put forward at the 3d plenary session of the 13th party Central Committee, we should, in the process of improvement and rectification, further deepen reform of the planning system, improve the mechanisms of macro regulation and control in the period in which the old system is replaced by the new, combine indirect regulation and control with direct management, and strengthen the supervision, control, and management of the overall and structural targets of the economy. Planning departments at various levels should further simplify their administration, delegate power to lower levels, accelerate the change of their functions, conscientiously perform their functions of "planning, balancing, regulation and control, coordinating, and service," study and resolve in a timely manner the new situations and new problems arising in the operation of the macroeconomy, and offer suggestions for governments at various levels to make policies. Planning departments should remain clean, honest, and diligent in their official duties, open their work systems and work results to public scrutiny, voluntarily subject themselves to the supervision of the masses, abide by laws and discipline, refrain from abusing power for selfish gains, serve the people wholeheartedly, and make their due contributions to the fulfillment of this year's plan.

**Economic Development Communiqué**  
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[Communiqué on Shandong Province's 1988 economic and social development statistics issued by the provincial Statistics Bureau—date not given]

[Text] By conscientiously implementing the guidelines of the 13th party congress and the 3d Plenary Session of the 13th party Central Committee; persisting in the provincial party committee's and provincial government's economic development strategy of "opening the eastern areas to the outside world, developing the western areas, and integrating the eastern areas with the western areas to make common development"; and conscientiously improving the economic environment and rectifying economic order, in 1988 the province positively facilitated the progress of reforms and construction and



ensured a sustained economic development; its economic strength was ceaselessly enhanced; scientific and technological findings emerged in succession; and the province made new achievements in cultural and educational, public health, and sports work. According to preliminary statistics, the total social product in 1988 was 232.0 billion yuan, an increase of 23.6 percent over 1987; the GNP was 100.5 billion yuan, an increase of 17.2 percent; the national income was 90 billion yuan, an increase of 17.6 percent; and the total industrial and agricultural output value was 195.320 billion yuan, an increase of 26.1 percent. The major problems in the development of the national economy were as follows: Society's effective supplies were strained, the price of goods rose substantially, the agricultural foundation was comparatively weak, and the contradictions between overall demand and overall supply were prominent. All these problems must further be urgently solved.

## 1. Agriculture

The province scored better achievements in agricultural production. The total agricultural output value during the year was 49.453 billion yuan, an increase of 3.4 percent over the previous year. Of this, the cropping industrial output value was 31.398 billion yuan, a decrease of 3.7 percent from the previous year; the forestry output value was 1.480 billion yuan, a decrease of 2.9 percent; the animal husbandry output value was 10.806 billion yuan, an increase of 27.6 percent; the sideline occupation output value was 1.762 billion yuan, an increase of 21.7 percent; and the fishery output value was 4.007 billion yuan, an increase of 30.2 percent.

Except for the reduced output of grain, cotton, and oil-bearing crops, other crops, including cured tobacco and fruits, showed an increased output over the previous year.

The output of major farm products was as follows:

	1988	Percentage Increase over 1987
Grain	32.250 million tons	-5.0
Cotton	1.137 million tons	-8.6
Oil-bearing Crops	1,978,299 tons	-15.6
of which:		
Peanuts	1,946,900 tons	-15.3
Cured Tobacco	233,600 tons	17.4
Silkworm cocoons	14,000 tons	6.1
Fruits	2,625,000 tons	7.9

The province afforested 2.554 million mu in 1988, an increase of 4.5 percent over the previous year. The output of walnuts increased by 18.4 percent and that of Chinese chestnuts increased by 6.0 percent.

Comprehensive development was made in animal husbandry. The number of large animals, hogs, sheep, and poultry both in stock and slaughtered increased; and the output of meat, eggs, and milk increased by a comparatively big margin.

	1988	Percentage Increase over 1987
Meat	1,714,700 tons	21.6
of which:		
Pork	1,286,400 tons	15.4
Beef and mutton	213,500 tons	42.8
Milk	54,900 tons	9.1
Sheep wool	19,900 tons	24.8
Poultry eggs	1,029,700 tons	30.1
Hogs slaughtered	16,195,700 head	7.0
Sheep slaughtered	12,189,600 head	44.7
Large animals at year-end	6,201,900 head	15.1
Pigs at year-end	17,683,400 head	14.3
Sheep at year-end	18,277,500 head	30.2

Fish production developed comparatively quickly. Fish production increased for 7 successive years since 1982. The total output of aquatic products in 1988 was an all-time high of 1,355,900 tons, an increase of 22.5 percent over the previous year. Of this, the total catch of marine products increased by 24.1 percent and that of freshwater products increased by 9.7 percent.

Improvement was made in the agricultural production conditions. By the end of 1988, the aggregate power of the province's farm machinery reached 29,602,500 kw, an increase of 8.2 percent over the previous year; there were 580,100 tractors, an increase of 12.4 percent; there were 45,900 trucks, an increase of 4.8 percent; and the power of irrigation and drainage equipment was 11.55 million kw, an increase of 6.7 percent. A total of 64.84 million mu were effectively irrigated, a decrease of 3.5 percent from the previous year. The total consumption of electricity in the rural areas was 6.476 billion kilowatt-hours [kwh], an increase of 11.9 percent; and 2,071,700 tons of chemical fertilizer (converted to 100-percent efficiency) were applied, an increase of 5.6 percent.

Greater progress was made in the rural economy. The total product of rural areas reached 119.797 billion yuan, an increase of 37.6 percent over the previous year. Of this, the total output value realized by the rural industries, building trade, transportation trade, and commerce reached 70.343 billion yuan, an increase of 54 percent. The proportion of the output value realized by these industries, trades, and commerce amounted to 58.7 percent of the total product of the rural areas, an increase of 6.1 percentage points over the previous year.

## 2. Industry

Industrial production increased constantly. The total industrial output value in 1988 reached 145.867 billion yuan, an increase of 33.8 percent over the previous year.

Of this, the output value realized by township-level and above industries reached 111.145 billion yuan, an increase of 26.9 percent. Of the total industrial output value, the output value realized by the state industry increased by 19.9 percent and that by collective industry increased by 36.6 percent. Of this, the town and township industrial output value increased by 54.9 percent, the output value by individual industry increased by 92.5 percent, and that by Sino-foreign joint ventures and corporations increased by 4.5 times. Of the total output value realized by township-level and above industries, the output value realized by light industries reached 57.449 billion yuan, an increase of 26.9 percent over the previous year, and that by heavy industries reached 53.696 billion yuan, an increase of 26.9 percent. Of the 90 major products whose production must go through special examinations, the output of most increased except for a small number of products, such as sugar. The effective supply volume increased, and the output of famous-brand quality products and high- and middle-grade household electric appliances increased by a big margin. However, the increases in the output of some raw materials and energy resources were lower than the overall industrial increase. Contradictions between supply and demand were prominent.

The output of major industrial products was as follows:

	1988	Percentage Increase over 1987
Cotton yarn	487,800 tons	15.5
Cotton	1.844 billion meters	13.4
Woolen goods	18.88 million meters	4.7
Machine-made paper and paper board	897,500 tons	8.5
Sugar	2,568 tons	-17.1
Cigarettes	2,456,200 boxes	1.4
Bicycles	2,710,500	9.9
Television sets	587,300	26.1
of which: color sets	271,100	62.2
Tape recorders	325,500	3.8
Cameras	171,100	70.8
Household washing machines	684,800	32.4
Household refrigerators	152,200	67.6
Raw coal	55,165,200 tons	3.7
Crude oil	33,302,600 tons	5.4
Electricity	37.824 billion kwh	13.3
Steel	1,894,900 tons	15.7
Rolled steel	1,388,100 tons	12.1
Cement	17,851,600 tons	14.5
Sulphuric acid	765,800 tons	40.2
Soda ash	370,000 tons	13.0
Chemical fertilizer	1,472,100 tons	19.7
Insecticide	10,200 tons	35.9
Power generating equipment	400,500 kw	27.1
Machine tools	12,571	1.3
Vehicles	13,715	59.3
Large and medium-sized tractors	11,933	45.0
Small tractors	218,800	42.4

Most of the targets for industrial enterprises' economic results were improved. Locally budgeted state industrial enterprises throughout the province realized 5.45 billion yuan of profits and taxes in 1988, an increase of 33.1 percent over the previous year. The turnover period of fixed-quota floating funds was shortened by 13.9 days. The number of money-losing enterprises was reduced by 61 from the previous year, and the amount of deficits was reduced by 11.76 million yuan. The per capita labor productivity of state industrial enterprises under independent accounting increased by 13.5 percent. Energy consumption per 10,000 yuan worth of output value by state and collective industrial enterprises at or below the county level was reduced by 3.4 percent. Twenty-three of the province's products won state silver quality prizes, and 868 products won provincial quality prizes. However, the production cost of comparable products increased by 11.1 percent over the previous year, and the stable improvement of the quality of major industrial products was lower than last year. We must pay attention to this.

### 3. Investment in Fixed Assets and the Building Trade

The growth rate of the investment in fixed assets was brought under control. However, the overall scale of investment in fixed assets was overexpanded. The province's investment in fixed assets totalled 36.29 billion yuan in 1988, an increase of 21.9 percent; and the growth rate was 11.6 percentage points lower than last year. Of this, the investment by state units was 19.05 billion yuan, an increase of 22.4 percent; by collective units, 9.98 billion yuan, an increase of 26.7 percent; and by individual units, 7.26 billion yuan, an increase of 14.5 percent.

The growth rate of the state units' investment in capital construction was even faster. The state units' investment in capital construction totalled 9.79 billion yuan in 1988, an increase of 25.6 percent; and the investment by basic industries, such as the energy resource and transportation industries, increased. The investment in energy resource industrial departments totalled 3.17 billion yuan, an increase of 46.9 percent; in transportation and postal and telecommunication departments, 910 million yuan, an increase of 5.8 percent; in light and textile industrial departments, 610 million yuan, an increase of 76.6 percent; and in capital construction of agricultural and forestry, water conservation, and meteorological departments, 480 million yuan, an increase of 14.4 percent. Of the total investment in capital construction, the proportion of the investment in productive capital construction projects rose from 21.1 percent in 1987 to 22.7 percent. A total of 3,053 capital construction projects began construction during the year, and the investment rate was 53.7 percent, an increase of 2.9 percentage points.

The construction of key state projects was enhanced. In 1988 the province built 54 large and medium-sized capital construction projects with an investment of 5.97 billion yuan, an increase of 13.7 percent over the previous year. A total of 4.44 billion yuan was invested in 14 large- and medium-sized projects organized and built by

the state according to reasonable construction periods, an increase of 19.7 percent over the previous year. Seven large- and medium-sized projects were completed and commissioned, three single-item projects were commissioned, and a group of power plants was completed and put into operation. All this helped enhance reserve strength for economic development in the province.

The pace of technological transformation and equipment renewal was further accelerated. State units throughout the province invested 5.93 billion yuan in technological transformation and equipment renewal in 1988, an increase of 37.4 percent. Of this, 2.75 billion yuan was used to increase the capacity to produce products, an increase of 61.3 percent, and 210 million yuan was used to upgrade the quality of products, an increase of 16.4 percent. A total of 2,307 technological transformation and equipment renewal projects were completed and put into operation, and fixed assets worth of 4.48 billion yuan were newly added during the year.

The newly added production capacity of state units' fixed assets was 3.6 million tons of crude oil mining capacity, 1.1 million kw of installed capacity, a 600,000-ton loading and unloading capacity of coastal ports, and a 300,000-ton ethylene production capacity.

The reform of the building industry was deepened in a phased manner. Local state building and installation enterprises undertook 2,111 construction projects on a contracted basis. These projects occupied an area of 3.984 million square meters, accounting for 78.3 percent of the total construction acreage. Of these projects, 690 were undertaken by the construction units through public biddings, accounting for 32.7 percent of the total contracted projects.

#### 4. Transport, Post, and Telecommunications

The transportation trade developed continuously through reforms and opening to the outside world. The volume of transportation by various means of transport increased over the previous year; however, the increases could not suit the demands of economic development.

	1988	Percentage Increase over 1987
Volume of cargo	61.28 billion ton-km	10.6
Railway	53.85 billion ton-km	9.7
Highway	4.56 billion ton-km	19.4
Waterway	2.87 billion ton-km	13.1
Volume of passengers	29.03 billion person-km	15.3
of which:		
Railway	17.97 billion person-km	15.2
Highway	10.97 billion person-km	15.4
Waterway	400 million person-km	30.9
Volume of cargo handled by major seaports	55.37 million tons	22.3

Post and telecommunications progressed to a new level. In 1988, the transaction volume reached 260 million yuan, an increase of 265.6 percent over the previous year. Of this, the volume of letters increased by 7.2 percent and the long-distance telephone utility volume increased by 33.6 percent. The number of telephone users in the urban areas reached 185,000 at year's end, an increase of 22 percent over the previous year.

#### 5. Commerce and Goods Prices

Market demand was high. The commodity marketing volume increased by a big margin. The volume of retail sales of commodities reached 49.09 billion yuan in 1988, an increase of 31 percent. If price hikes are factored in, the real increase was 10.7 percent. Of the total volume of retail sales of commodities, the volume of retail sales of farm capital goods reached 9.86 billion yuan, an increase of 33.2 percent; that of household consumer goods was 35.6 billion yuan, an increase of 31.0 percent; and that of consumer goods bought by institutions reached 3.63 billion yuan, an increase of 25.5 percent. The volume of retail sales of commodities manufactured by various sectors of the economy increased comprehensively. The volume of retail sales of commodities made by state enterprises reached 18.1 billion yuan in 1988, an increase of 31.6 percent; of those made by collective enterprises reached 20.37 billion yuan, an increase of 27.2 percent; and of those made by individually owned households reached 8.55 billion yuan, an increase of 38.1 percent. The volume of farm and sideline products sold by the peasants to nonagricultural residents reached 2.05 billion yuan, an increase of 37.6 percent. The volume of retail sales of various consumer goods increased comprehensively. The volume of retail sales of foods increased by 27.2 percent. If price hikes are factored in, the real increase was 1.5 percent. When comparing 1988 with 1987, the marketing volume of grain by commercial departments increased by 26.8 percent, that of edible vegetable oil increased by 18.5 percent; that of poultry increased by 40.3 percent; that of aquatic products increased by 25.9 percent; that of fresh eggs, pork, sugar, and cigarettes was reduced. Again, when comparing 1988 with 1987, the marketing volume of clothes increased by 26.6 percent; that of daily necessities increased by 32.7 percent; and that of television sets, refrigerators, and washing machines increased by 15.5 percent, 1.4 times, and 26.8 percent, respectively.

The reform of the commercial structure was further strengthened. By the end of 1988, some 69.3 percent of state-owned commercial enterprises exercising independent accounting carried out the contract management responsibility system, an increase of 4 percent over 1987; and the number of small state-owned commercial enterprises which were handed over to collectives and collective ownership or leased to individuals increased slightly over 1987.



Trade in urban and rural country fairs was more brisk. The business volume of urban and rural fairs amounted to 11.3 billion yuan in 1988, an increase of 41.7 percent over 1987, equal to 23.0 percent of the province's total retail sales in 1988, or an increase of 2 percent over 1987. The transaction volume of vegetables, meat, poultry, eggs, aquatic products, and other nonstaple foods increased substantially.

The market for the means of production was brisk. Supply departments in the province sold a total of 27.09 billion yuan worth of means of production, an increase of 61.3 percent over 1987, of which the sales volume of supply trade centers amounted to 1.87 billion yuan, an increase of 110.1 percent. The rolled steel sold through supply departments reached 3.084 million tons, an increase of 17 percent; and the timber sold through these departments reached 3.756 million tons, an increase of 20.5 percent. However, because of the excessive demand by production and construction projects, there was still a lack of the means of production.

The price index rose excessively. In 1988 the total provincial retail price index rose by 18.3 percent from 1987. The retail price index rose by 21.2 percent in urban areas and 16.5 percent in rural areas. In that price index, the price of foodstuffs went up by 25.3 percent in 1987, of which, the price of grains rose by 11.1 percent; meat, poultry, and eggs, by 34.4 percent; fresh vegetables, by 55.5 percent; and aquatic products, by 37.1 percent. The cost of clothes rose by 13.3 percent; daily necessities, by 10.0 percent; medicine and medical apparatus, by 23.7 percent; fuel, by 8.2 percent; and agricultural means of production, by 14.7 percent. The procurement price index of agricultural by-products rose by 25.8 percent. The cost of living index for employees went up by 20.6 percent.

#### 6. Foreign Economic Relations and Trade, and Tourism

Along with the implementation of the strategy for the coastal economic development and with the deepening of the foreign trade structural reform, the utilization of foreign capital witnessed a breakthrough, and foreign trade was further expanded. Foreign trade departments exported \$2.98 billion worth of commodities in 1988, basically keeping the actual level of 1987, or fulfilling the state plan by 138.0 percent. Because of the decreased output of grain, cotton, and oil-bearing crops, the export volume of major commodities declined by a relatively big margin. The total volume of imported commodities amounted to \$590 million, an increase of 16.6 percent over 1987. The import volume of complete sets of equipment, technologies, and raw materials for the chemical industry increased by a considerably large margin; and the import volume of refrigerators, washing machines, television sets, audio systems, and other family-use electric appliances increased slightly. In 1988 the province signed 202 agreements on direct investment with foreign firms, for a total value of \$260 million, showing an increase of 280 percent and 570 percent,

respectively over 1987. Foreign capital actually utilized by the province amounted to \$40 million in 1988, an increase of 64.1 percent over 1987.

The business of enterprises engaged in the three forms of import processing and in compensatory trade was further expanded. The cost of the newly added equipment provided by foreign firms for these enterprises was \$50 million in 1988, an increase of 13.3 percent, and the total value of imports already delivered in the form of compensatory trade increased by more than 100 percent over 1987.

The brisk tourist trade flourished. In 1988 the province received 13,800 tourists and visitors from more than 30 countries and regions, an increase of 27 percent over the previous year. Foreign exchange earned from the tourist trade totaled 105 million yuan, an increase of 29.9 percent.

#### 7. Science, Technology, Education, and Culture

The province made new strides in developing science and technology. The province yielded 1,786 key scientific and technological findings, of which 118 attained international standards, 1,045 attained national advanced levels, 12 won state invention awards, and 5 won spark prizes.

Notable results were brought to society through advocating patent work. A total of 1,750 works applied for patents during the year, of which 759 obtained patent rights. A total of 333 million yuan of output value and 84.45 million yuan of profits were newly added from applying 241 patented works.

The technology market developed rapidly. In 1988 the province fulfilled 22,893 technological contracts and earned 190 million yuan from applying technologies.

Meteorological, oceanic, earthquake, and surveying departments promptly and accurately provided a lot of information and data for economic construction and the people's livelihood.

Educational undertakings were developed steadily through reforms. Higher education was developing comparatively rapidly. The province had 50 ordinary institutions of higher learning and 101,300 college students in 1988, an increase of 5.6 percent over the previous year. Universities, colleges, and training schools enrolled 35,700 students, an increase of 8.3 percent. The enrollment in the national schools for adult higher education was 101,600.

The structure of secondary education was continuously readjusted. Enrollment in ordinary middle schools, secondary specialized schools, agricultural middle schools,

vocational middle schools, and technical schools reached 4,128,200 in 1988, a decrease of 0.6 percent from the previous year. Of this, the enrollment in secondary specialized schools and vocational and technical schools corresponding to the senior high-school level totalled 384,200, accounting for 43.6 percent of the total enrollment in schools at the senior high-school level, an increase of 3 percent over the previous year.

Basic education was further enhanced. The enrollment in middle schools throughout the province totalled 3.24 million; that of primary schools totalled 8,300,100; the attendance rate of school-age children reached 98.4 percent; and 2,021,300 children attended nursery schools, an increase of 20,400 children or 1 percent over the previous year. Greater development was made in education for the mentally retarded and the blind, deaf, and mute. In 1988 the province had 70 special-education schools with an enrollment of 5,046 students. However, there was a serious phenomenon of primary and middle school students in the rural areas discontinuing their studies.

The undertakings in the cultural, press, publication, radio, and television spheres flourished even more with each passing day. The province had 13,301 film projection teams. A total of 162 new films (full-length films) were produced. There were 129 art troupes, 16 mass art centers, 111 public libraries, and 38 museums. There were 56 radio stations, 24 radio transmitting and relay stations, and 28 television stations. Eighty-five percent of the province's population could receive radio programs, and 76 percent of the population could receive television broadcast programs. A total of 119 television films and 60 radio plays were produced during the year. Sixty-one newspapers, totalling 951 million copies, were published during the year. A total of 69,488,900 copies of magazines and 364 million books were published.

## 8. Public Health and Sports

Medicine and public health services improved steadily; and a medicine, public health, and health care system spreading throughout urban and rural areas was established. At the end of 1988, there were 2,767 hospitals in the province. The number of hospital beds reached 151,900, an increase of 3.7 percent over 1987. Professional health workers numbered 227,900, up 3.4 percent over 1987. This total included 92,000 doctors, of whom, 69,000 were Western medical doctors or physicians practicing traditional Chinese medicine, an increase of 6.1 percent over 1987; and 47,100 were nurses, up 7.8 percent.

Thanks to the positive endeavor of the vast number of public health workers, remarkable success was achieved in preventing and controlling various infectious and chronic diseases, and an obvious improvement was

effected in the people's level of health. In 1988, the average life-span in the province was 71 years. However, some remote rural areas are still short of doctors and medicines.

New achievements were made in sports. Ten of the province's athletes broke 13 national records on 22 occasions in 1988. Meanwhile, the province's athletes won 138 medals, including 52 gold medals, 47 silver medals, and 39 bronze medals in domestic and world tournaments. The province's athletes won 26 gold medals at various domestic tournaments. At the first national sports games of peasants, the province won first place in total score. Conditions for sports improved somewhat. In 1988, the province achieved success in sponsoring the National Urban sports games and scored outstanding achievements. Extensive mass sports activities were conducted. The province held 7,643 sports games at or above the township and town levels in 1988, with 1,733,100 people participating. In 1988, 5,053,200 people in the province reached "national sports training standards."

## 9. The People's Living Standards

The livelihood of urban and rural people remained stable. The province's gross payroll totalled 12.597 billion yuan in 1988, some 3.063 billion yuan more than in 1987, or an increase of 32.4 percent. A sample survey of urban employees' families showed an average annual income of 1,084.89 yuan per capita, a 20.4-percent increase from 1987. If price rises are taken into account, the real per capita income basically remained the same as in 1987. A sample survey of farmers' families showed an average annual net income of 583.74 yuan per capita, an increase of 12.8 percent over 1987. If price increases are taken into account, the real income rose by 1.2 percent. The increase in income for urban employees of different status was not balanced, and the real income of 39.5 percent of urban families dropped because of price increases. In the countryside, the average annual net income of 9.7 percent of farmer families exceeded 1,000 yuan per capita, up 4.6 percent over 1987; and the average annual net income of 3.8 percent of farmer families was below 200 yuan per capita, an increase of 0.5 percent over 1987. Income gaps widened.

The labor system reform was deepened constantly, and employment increased continuously. In 1988, 344,000 people found jobs in urban areas. The province had 7.333 million employees by the end of 1988, 487,000 more than at the end of 1987. Of them, there were 822,000 contract workers employed by state-owned units, 219,000 more than at the end of 1987. There were 192,000 self-employed workers in cities and towns, 33,000 more than in 1987.

Urban and rural residents' savings deposits increased. Savings deposits reached 32.65 billion yuan at the end of 1988, an increase of 8.41 billion yuan or 34.7 percent over the previous year.

The urban and rural residents' level of consumption was upgraded, and their housing conditions improved. According to a sample survey of urban and rural residents, the living expenses for urban dwellers was 1,026.2 yuan per capita, an increase of 27.5 percent over the previous year; and that of peasants was 482.11 yuan per capita, an increase of 18.8 percent. Each 100 urban households possessed 105.6 television sets (of these, 47.4 were color sets, an increase of 22.3 percent), and each 100 rural households possessed 38.29 television sets, an increase of 4.5 percent and 28.2 percent, respectively. Each 100 urban households had 71.3 tape recorders, and each 100 rural households had 11.55 tape recorders, an increase of 20.8 percent and 29.2 percent, respectively. Each 100 urban households had 26.9 refrigerators and each 100 rural households had 0.4 refrigerators, an increase of 92.1 percent and 100 percent, respectively. The housing area for urban dwellers was 9.62 square meters of floor space per capita, an increase of 5.0 percent; and that of peasants was 17.34 square meters of floor space per capita, an increase of 5.2 percent.

Social welfare services were further developed. The province had 4,495 social welfare institutes in 1988, which provided for 52,000 people. Urban and rural collectives provided for 134,000 orphans, elderly, and disabled. A total of 913,000 poverty-stricken households were supported by the state. Social welfare enterprises were also greatly developed. By the end of 1988, 3,762 welfare plants were being run and 52,000 disabled people were employed.

#### 10. Population

The natural population growth rate dropped. According to a sample survey, the province's birth rate was 17.54 per 1,000, the mortality rate was 6.04 per 1,000, and the natural population growth rate was 11.50 per 1,000. The calculation made according to the sample survey showed that the population was 80.613 million at year's end.

#### Note:

1. All the figures given in this communique are preliminary statistics. The GNP, national income, and total output value listed here are calculated in terms of the 1988 constant prices. The growth rate over the previous year is calculated in accordance with comparable prices.
2. GNP refers to the increased value of both the productive and nonproductive departments, not including the product consumed in intermediate links or the labor value.
3. The rural product of society includes the total output value of agriculture and of collectively and privately owned rural industries, construction, transport, and commerce.
4. The volume of cargo and passenger transportation refers only to the volume of transportation handled by transportation departments.



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